Austria	Sch24	Indonesia	Rp3100	Philippines	Pes40
Bahrain	Din0.700	Iran	Rls210	Portugal	Esc150
Belgium	BFr65	Israel	Shk3.50	Qatar	QR8.00
Cyprus	C£0.90	Italy	L2000	S.Arabia	SR7.00
Denmark	DKr12.00	Jordan	Fils1000	Singapore	S$4.10
Egypt	E£2.25	Kuwait	Fils.500	Spain	Pta165
Finland	FMk8.00	Lebanon	L£1000.00	Sweden	SKr12
France	FFr7.00	Lux	LFr65	Switz	SFr2.50
Germany	DM2.60	Malaysia	Rin4.25	Thailand	Bht50
Greece	Dr150	Morocco	Dh8.00	Tunisia	Din0.850
Hong Kong	HK$12	Neth	Fl3.25	Turkey	L3400
Hungary	Ft107	Nigeria	Naira10	UAE	Dh7.00
Iceland	IKr150	Norway	NKr12.00		
India	Rs15	Oman	OR1		

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Monday March 26 1990

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1992

Facing up to green currency truths

Page 5

World News

Kohl to press for sharper reductions in Nato troops

West German Chancellor Helmut Kohl will press UK Prime Minister Mrs Margaret Thatcher this week to accept a timetable for much sharper than planned cuts in Nato armies and nuclear weapons in the Federal Republic as part of the process of German unification.

Bonn wants to complete monetary union with East Germany by summer, if possible by July. Page 20

Club fire kills 87

Fire raced through a packed, illegal nightclub in the Bronx, New York, killing at least 87 people who had been dancing to calypso and reggae music. Police suspect the blaze may have been started deliberately in a club mostly frequented by Hondurans. Page 4

Archbishop resigns

Dr Robert Runcie has resigned as Archbishop of Canterbury, Lambeth Palace announced in London on the tenth anniversary of his enthronement. The resignation takes effect next January 31. Page 6

Ligachev omitted

Soviet President Mikhail Gorbachev named five more members of his powerful new presidential council but left out Politburo hardliners such as Yegor Ligachev. Page 2

Azerbaijan deaths

Nine people, including a family of five, were killed in the Soviet southern republic of Azerbaijan in attacks by Armenian militants.

China admits errors

China's official media have admitted that at least some people were unjustly accused in the round-up of anti-government protesters which followed the Tiananmen Square massacre in Peking last June.

Visit scaled down

France's National Front scaled down a proposed visit to the southern city of Lyon by West German far-right leader Franz Schoenhuber after protests from the mayor and the local Jewish community.

Kuwait denies abuse

Kuwait rejected an Amnesty International report urging it to probe allegations of serious human rights abuses. The report said that Shia detainees had been held without trial and tortured.

Angola initiative

Soviet Foreign Minister Eduard Shevardnadze arrived in Nigeria. Before leaving Zimbabwe, he said he and US Secretary of State James Baker had agreed to work together on ending the wars in Angola and Mozambique. Page 4

Bangladesh violence

At least 26 people were killed and more than 1,500 injured as rival groups armed with guns and bombs clashed in poll violence as Bangladesh's rural elections ended amid charges of widespread fraud.

Kosovo tense

Troops and heavily-armed police kept a tense peace in the Yugoslav province of Kosovo after the federal government accused ethnic Albanians of stirring unrest over a poisoning scare.

Nixon explains

Former US president Richard Nixon discloses in a book soon to be published that severe depression almost cost him his life after the Watergate scandal toppled him from power in 1974.

Back-to-school plea

Black South African leader Nelson Mandela urged students to return to class and call off boycotts which have disrupted schools for years.

Aden shooting

Agitators shot at police during a student demonstration outside Aden, in Marxist South Yemen, seriously wounding one officer. "Anti-democracy elements" were blamed.

Modigliani record

Modigliani's The Pretty Shopkeeper was sold for FFr63m ($10.9m) at auction in Paris, breaking the world record for a work by the Italian artist.

Wang founder dies

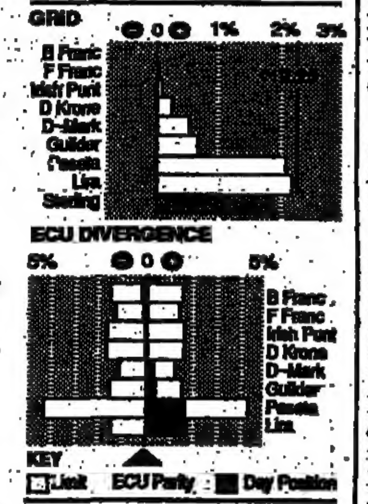
An Wang, founder of Wang Laboratories, has died aged 70. A Shanghai immigrant to the US, he created a billion-dollar company through brilliant inventions and entrepreneurial excellence. Obituary, page 3; reaction, page 20

Business Summary

Argentina seeks to unblock IMF loan tranches

ARGENTINA'S Government has sent a fresh letter of intent to the International Monetary Fund in Washington, hoping to unblock several tranches of a $1.4bn stand-by loan which was suspended by the Fund at the start of this year. Only the first tranche, some $230m, has been disbursed. Page 4

EUROPEAN Monetary System: A weaker D-Mark helped keep pressure off the EMS last week. Strongest currencies were the lira and peseta, well above the other members. The French franc remained near the bottom of the system, but was perhaps the best performing currency on the week, after encouraging French economic news. The D-Mark drifted lower as the markets reassessed the East German election result and the possible inflationary impact from German monetary union. Currencies, Page 37



The chart shows the constraints on EMS exchange rates. The upper grid, based on the system's weakest currency, defines the cross-rates from which only the peseta may move by more than 2¼ per cent. The lower chart gives currencies' divergence from the central rate against the Ecu.

BRITISH Government has been warned that one of the main limits to competition built into the liberalised UK electricity market has been breached a week before the market is due to come into operation. Page 10

US will now probably join the proposed European Reconstruction and Development Bank to assist economic reform in Eastern Europe, although the Administration is taking a tough line on limiting borrowing by the Soviet Union. Page 5

SWITZERLAND is investigating whether a trading firm, of which the husband of former justice minister Mrs Elisabeth Kopp was once vice-chairman, laundered drugs profits. The Zurich District Attorney is leading the inquiry into Shakarchi Trading AG, a gold and currency company run by Mr Mohamed Shakarchi.

CREDITO Italiano, Italian bank, saw net earnings fall to L270bn ($214m) last year from L416bn in 1988, when income was boosted by the one-off sale of its shares in Mediobanca. Page 24

KOMATSU, construction machinery company, has become the first Japanese company to concede a two-hour reduction in the working week for UK employees since unions launched a national strikes campaign. Page 10

HONG KONG: A simmering row between the Securities and Futures Commission, the colony's market watchdog, and the market practitioners it seeks to regulate has broken into the open. Page 24, Lex Page 20

BERISFORD International, the British Sugar owner which has started merger discussions with Tate & Lyle, is expected to announce a management buy-out of its UK property development arm for about £100m ($160m). Page 25

NOVA CORPORATION of Canada, weighed down by heavy debt and depressed world petrochemical prices, has put its synthetic rubber division at Ontario up for sale. Page 24

Weekly share price changes

The Financial Times is now publishing weekly percentage price changes for all stocks listed in the London Share Service. These figures appear on Mondays in place of net dividend information, which will be shown on other days.

Baltic nationalists to seek freedom in three republics

By Quentin Peel in Vilnius, Lithuania

THE DOMINANT nationalist movements in all three Soviet Baltic republics this weekend pledged their determination to seek independence from the Soviet Union side by side.

As the Communist Party of Estonia voted by a large majority to declare its own independence from the Soviet Communist Party, and to seek the independence of the republic in its official party programme, leaders of the nationalist movement met in Vilnius to declare their solidarity with Lithuania, which has already embarked on that path.

They denounced Soviet attempts to intimidate the Lithuanian parliament through "military scare tactics," and both Estonia and Latvia spelt out their own independence plans.

The Supreme Soviet of Estonia, with pro-independent parties confident of a two-thirds majority, is expected simply to declare the republic no longer a "Soviet republic" when it meets on April 2 and 3.

As for Latvia, the parliament will not meet until May but Mr Dainis Ivans, leader of the Latvian Popular Front, promised that its first act would be to declare independence from the

USSR. The Popular Front of Estonia and Latvia met the leaders of Sajudis, the Lithuanian independence movement, in Vilnius on Saturday night after a week of growing pressure from Moscow on the republican leadership.

Last night Mr Romualdis Ozolas, a Sajudis leader and deputy prime minister, announced that he expected a military takeover of the republican parliament. At the same time, members of the Communist Party minority loyal to Moscow, backed by soldiers, seized new party buildings.

The Baltic Nationalist Movement, which meets every month in the so-called Baltic Council, effectively controls large majorities in all the parliaments since the latest round of republican elections.

"This shows that the peoples of Estonia, Lativa and Lithuania have formally demonstrated their will to achieve a single aim: the independence of their states," the leaders said.

"Therefore the Baltic Council considers that any attempt to interrupt the democratic and parliamentary process either from within or by external forces will be directed fully against the will of the people of Estonia, Latvia and Lithuania."

They called on the Government of the Soviet Union "to stop its military scare tactics and pressure towards Lithuania, and also inciting its citizens to break the laws of the Lithuanian government." They went on to call for "constructive negotiations on an intergovernment level" leading to their declared ambition of independence.

The solidarity of the three Baltic republics is critical to Lithuania's hopes of forcing President Mikhail Gorbachev to sit down and discuss with them the terms for real independence.

At the moment, in spite of the parliament's pronouncements, virtually every aspect of life in the republic is unchanged: transport and telecommunication links are kept open by Moscow, big factories are all controlled by the USSR, and the Soviet Government still runs the large military establishment and the network of the KGB.

In spite of reports in the Soviet national media about rising tension in the republic, life in Lithuania appears calm. All borders are open, without any apparent increase in policing, and the centre of Vilnius was packed yesterday with normal Sunday strollers.

However, Mr Ozolas last night said he had received a report from a Soviet soldier that preparations were being made to take over the Lithuanian parliament, which has suspended its session to select a new government until yesterday

Periodic reports of unusual military movement continue to cause excitement in the parliament and the press.

Background, Page 2

Janos Kis, president of the Alliance of Free Democrats, casts his vote yesterday in Budapest

Close vote likely in Hungarian poll

By Judy Dempsey and Nicholas Denton in Budapest

HUNGARY'S two main opposition parties last night appeared to be running neck-and-neck following a high turnout in the country's first free elections in more than 40 years.

The official results will be announced later today. However, an opinion poll of a third of the seats issued by the Hungarian Institute for Public Opinion Research gave the liberal Alliance of Free Democrats 26 per cent of the votes and the conservative Hungarian Democratic Forum the same. Neither party will be able to form a government by itself. However, the race between them is crucial because the leading party can hope for support from the Smallholders, which, with a predicted 19 per cent, appear to hold the balance of power.

Like the two leading parties, the Smallholders favour privatisation and a move towards a market economy, but their main platform is the return of land confiscated by the Communists in 1947.

Fidesz, the radical youth movement, polled a surprising 15 per cent, relegating the ruling Hungarian Socialist (former Communist) Party to fifth position with 7 per cent.

The polls clearly indicate that only seven parties will have seats in the new Parliament, which will allay fears that Hungary would experience a period of instability and shifting coalitions.

Voting in yesterday's first round, which will be followed by a second round on April 8, was as high as 70 per cent in constituencies in Budapest and possibly even higher in the countryside as the 7.5m-strong electorate chose from more than 30 parties.

Mr Istvan Bethlen, one of the leading lights behind the conservative Hungarian Demo-

Continued on Page 20
Background, Page 2

Fiat plans $4bn Soviet investment

By Haig Simonian in Milan and Kevin Done in London

FURTHER foreign investment into the Soviet Union's automotive industry is expected as more details emerged at the weekend of Fiat's plans for the largest Western investment yet in the Soviet industry.

The deal negotiated by Fiat, the Italian manufacturer, will involve an investment of more than $4.16bn during the decade.

It could lead to the construction of one of the most technologically advanced engine plants in the world in the Soviet Union.

Fiat has also signed a letter of intent with the Polish Government to make its Tipo car in Poland.

The Soviet plants planned for Yelabuga, a town 1,000 kilometres south-east of Moscow, will produce a car with a combined Fiat and Soviet nameplate, the first time a western car marque has been allowed in the Soviet car market.

The ambitious extension of Fiat's manufacturing plans, which are three times the size of the outline deal announced last year, amount to a significant vote of confidence in the Soviet economy as the Government's economic reform programme enters a crucial phase.

Fiat's move, which comes as the Soviet Government is engaged in a review of joint ventures with foreign enterprises, could prompt other Italian manufacturers to follow.

Other companies are considering joint ventures. Peugeot of France is negotiating with the Soviet authorities to produce its 605 saloon at the GAZ plant at Gorky, which produces the Volga car.

The Peugeot's intiative follows the decision by Ford of the US to abandon plans to produce its Scorpio saloon at the GAZ plant.

The November accord committed Fiat to a joint venture to produce 300,000 cars a year, code named A93, based on its Uno model.

The revised deal will lead to the development of a second smaller car based on the Panda and a third larger model with a 1,300cc engine, based on the Tempra saloon which has just gone on sale in Italy. The plant will eventually have an output of 900,000 cars a year.

Fiat will also build a plant to produce 900,000 engines and gearboxes a year. The engine plant will be closely modelled on Fiat's so-called Fire (fully integrated robotised engine) engine plant at Tremoli, in southern Italy, which is one of the world's most highly automated engine plants.

The Tempra car is likely to be powered by a larger version of fuel-efficient Fire engine. According to industry officials, the Fire engine, which is restricted to the 750cc-1,000cc range, has already been expanded to 1,300cc on a prototype basis.

A Soviet delegation led by Mr Ivan Stepanovic Silaev, vice president of the Soviet Council of Ministers visited the Tremoli plant last week, as well as Fiat's car assembly and gear box plants and technical research and development centre.

Fiat will be responsible for providing the technology for sheet metal pressing, body assembly, painting, large plastic components pressing, final assembly and testing.

Financing details for the project remain vague.

VW chief fails to dispel Spanish investment fear

By Peter Bruce in Madrid

MR CARL HAHN, chairman of Volkswagen, came to the Costa Brava at the weekend to calm Spanish fears that West German industrial interest in a democratising Eastern Europe will divert funds earmarked for Spain.

He may have inadvertently done the opposite.

He told over 300 Spanish industrialists and bankers in Lloret de Mar that VW would have to revise upwards its investment plans in its Spanish subsidiary, Seat, because of political change in East Germany.

The enthusiasm for Eastern Europe expressed by both Mr Hahn and Mr Gerhard Leiner, Daimler Benz' finance director, left their audience in little doubt that Spain has lost its place as West German industry's favourite European investment target.

Full story, Page 3

Major offers prospect of lower UK interest rates by early 1991

By Peter Norman and Philip Stephens in London

MR JOHN MAJOR, the British Chancellor of the Exchequer, yesterday held out the prospect of "materially" lower UK interest rates from the beginning of next year as inflation fell.

He said there had been "encouraging" progress towards meeting the conditions for British entry into the exchange rate mechanism of the European Monetary System.

It was important that the British inflation rate should be lower and "proximate" to the inflation rates of the UK's European partners before sterling entered the ERM. Conditions for entry would probably be met if their inflation rate was the same as Britain's, he said.

Mr Major's comments in a BBC television interview came as Sir Geoffrey Howe, the Deputy Prime Minister, insisted that the prospect of German monetary union could not be used as an excuse to delay full British participation in the EMS.

In an interview with the Financial Times, Sir Geoffrey said that Britain's partners had gone a long way to fulfilling their side of the bargain struck at the Madrid European Community summit in June.

The main obstacle to entry remained Britain's inflation rate. But while that meant that the Government could not join now: "The sooner we are able to create the conditions the better."

Sir Geoffrey's comments on German monetary union appear at odds with the recent message from Downing Street that Mrs Margaret Thatcher sees creation of a single German currency as a possible obstacle to membership.

He also made it clear that while the Government had to be careful in choosing the right moment, it should not rule out a decision to join before the next general election.

His comments, with those of Mr Major, confirm that Mrs Thatcher's three most senior ministers all see the possibility at least of membership before that election, which is due by mid-1992.

Mr Major yesterday had words of modest encouragement for hard-pressed UK borrowers but said little to satisfy those City of London economists who this week criticised his first Budget as too soft to tackle Britain's inflationary problem.

Inflation is expected to rise from February's 7.5 per cent annual rate to 9.5 per cent and possibly to double figures in April. Mr Major repeated the Treasury forecast that inflation would be slightly above 7 per cent at the end of this year and down to 5 per cent and falling by mid-1991.

He said cutting inflation would not be put at risk by a premature reduction in interest rates. He added, however: "My expectation is that inflation, and therefore with it interest rates, will be materi-

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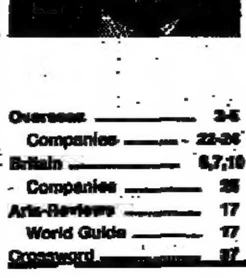
THE MONDAY INTERVIEW



Sir Geoffrey Howe, the British Deputy Prime Minister, refuses to allow his polite unflappability to be ruffled by the opposition Labour Party's recent by-election victory and its high standing among the electorate Page 42

OVERSEAS NEWS

Gorbachev excludes hardliners from council

By Mark Nicholson in Moscow

MR Mikhail Gorbachev, the Soviet leader, yesterday named three more members of his powerful new presidential council to create a representative and strongly reformist body, but one excluding such Politburo hardliners as Mr Yegor Ligachev.

The appointees join 10 others named over the weekend. With the addition of Mr Nikolai Ryzkhov, who has an ex-officio seat on the council as prime minister, this takes the council to a larger-than-expected 16 members.

Yesterday's appointments were Mr Vadim Bakartin, the Interior Minister, Mr Valeri Boldin, a senior party central committee member, and Mr Yuri Osipian, vice president of the Academy of Sciences.

Creation of the council, which has a purely advisory role, was approved by the Congress of People's Deputies earlier this month.

Extended executive powers for the Soviet President were also approved by the Congress of People's Deputies.

The body will assume overall responsibility for overseeing security, domestic and foreign policies and for the implementation of a raft of radical economic measures Mr Gorbachev has pledged to introduce over the next few months to propel the Soviet Union towards a market economy.

It is also likely increasingly to supplant the Politburo as the inner sanctum of Soviet policy-making as Mr Gorbachev shifts real authority from the Communist Party to state bodies.

But analysts suggested yesterday that the size, interdisciplinary and regional representation of the body – which includes two writers and a leading workers' spokesman – might make it more unwieldy and perhaps less effective than had at first been thought.

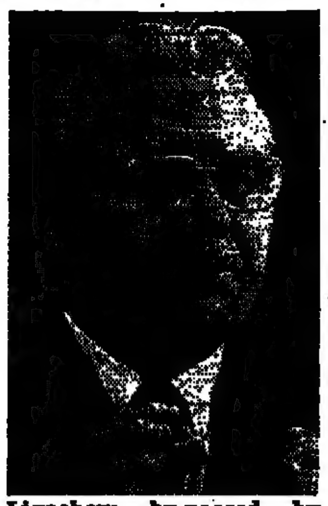
"It's a classical piece of cabinet-making, broadly trying to take in a wide variety of interests," said one commentator. "But its breadth suggests Mr Gorbachev might finally still rely on his close personal advisers."

At least 10 of the 16 on the council can be broadly characterised as Gorbachev supporters. And the Soviet leader has notably by-passed several conservative Politburo members apart from Mr Ligachev, with neither Mr Lev Zaikev, the former Moscow party chief, nor Mr Vitaliev Vorotnikov, the chairman of the Russian Supreme Soviet having been appointed.

As expected, however, Mr Dimitri Yazov, the conservative Defence Minister, was among the 10 appointments made earlier at the weekend.

So too were Mr Eduard Shevardnadze, the Foreign Minister, Mr Alexander Yakovlev, the central committee secretary, and Mr Vladimir Kryuchkov, the KGB chairman – who are all Gorbachev allies.

Others named to the body include Mr Yuri Maslyukov, the conservative first deputy prime minister, Mr Stanislav Shatalin, a reformist economist, deputies Mr Albert Kauls and Mr Veniamin Yarin, and writers Mr Valentin Rasputin – a noted ecologist and Russian nationalist – and Mr Chinghiz Atimatov, a strong Gorbachev loyalist.



Ligachev: by-passed by Gorbachev for presidential council

Lithuania's man in US quietly carries on the struggle

By Lionel Barber in Washington

IF President Gorbachev uses force to depose the newly formed Lithuanian government, the independence baton passes to Mr Stasys Lozoraitis Jr, the Baltic republic's chargé d'affaires in Washington.

Fluent in six languages (but not Russian), Mr Lozoraitis is a writer, lecturer and diplomat extraordinaire. He has served in the Lithuanian foreign service – which has clung improbably to its mission despite 50 years of Soviet subjugation – ever since the Second World War.

His father, a former Lithuanian foreign minister, was sent to Italy in 1940. Lozoraitis Jr decoded his first diplomatic cipher when he was 15 years old. During the war, he was a member of an underground group of Scarlet Pimpernels helping American prisoners of war and Jews to escape.

After the War, Mr Lozoraitis served at the Lithuanian delegation to the Holy See, and got to know five Popes. He took over the Washington legation, one step below a full embassy, in 1987, and he combines the post with being representative to the Holy See in Rome.

Mr Lozoraitis said recently: "My father never lost his faith. Before he died, he affirmed his belief that Lithuania will be free. He said: 'All dictatorships crumble'. Even Hitler did not last his 1,000 years."

The Lithuanian legation is based in a 40-room mansion at 2622 16th Street, the same building the Lithuanian government bought in 1920. Yesterday, a staff member said Mr Lozoraitis was believed to be in Rome and would return to the US next week. "We have had telephone calls from all over the world," she said, "and the support has been tremendous."

Deserters and 'lost souls' await their fate in Vilnius

By Quentin Peel in Vilnius, Lithuania

THE PSYCHIATRIC hospital in New Vilnius is one of those depressingly neo-Victorian institutions with echoing corridors and peeling paint and plaster, where one meets the occasional patient wandering like a lost soul.

About two dozen Lithuanian deserters from the Red Army are camped out there in a wing normally reserved for disturbed teenagers – which is probably what their former officers would consider them.

In fact, they could scarcely be a more normal bunch of youths, some still sporting teenage acne, others a first furtive moustache. A couple are budding car mechanics, one simply said he wants to be "a worker", another has several job offers already as an art restorer when he comes out of the army, and one young father has a five-month-old baby at home.

Yet they represent probably the single most sensitive challenge to Soviet power in the rebellious republic of Lithuania and their presence could yet be the flashpoint for some sort of Soviet armed intervention to arrest them. They are waiting with a mixture of bravado and trepidation for whatever fate may have in store.

They sleep in a couple of battered hospital wards, behind a door with a simple lock, protected by nothing more than a large Red Cross flag and a handful of nurses with Red Cross armbands. If the army wants to pick them up, there is nothing to stop it.

"Of course, we are better off here than in the army," says Mr Kestutis Krasauskas, 21, and almost at the end of his two-year conscription when he decided to desert. "Nobody wants to serve in the Soviet Army, not even the Russians. Nobody would call it an army."

Mr Gintaras Stitilis is 20, and served his time in Belorussia, the next-door republic to Lithuania. "We served there for two years," he said. "And yet we have no idea what a soldier is supposed to do. It had no purpose."

The beardless deserters simply walked out of their Soviet Army units over the past two weeks or failed to return from leave after they heard the news that their republic had declared its independence fom the Soviet Union.

Their inspiration was apparently a mixture of an outburst of patriotism, disgust with the pointlessness of army life, and bitterness at the racial bullying they got from their fellow recruits.

"They called us fascists and Nazis," Gintaras Stitilis said. "All of the conscripts from the Baltic republics were treated the same."

Ironically, they all agreed that it was not so much their Russian fellow-soldiers who took it out of them but recruits from the Central Asian republics, who dominate the army units far from home.

"There were 50 from the Baltics, 50 Russians and more than 400 of the rest," said Evaldas Stelmokas, a sickly-looking 21-year-old who insisted that he wants to become a Lithuanian policemen.

"They used to beat up new recruits with a stool," he said. "I must have been beaten about 20 times in 18 months. I really don't remember."

One youth is scared. He has not even told his parents where he is.

NINE people, including a family of five, have been killed in the southern republic of Azerbaijan in attacks by Armenian militants, official reports from the region said yesterday, Reuter reports from Moscow. The reports, carried by the official Tass news agency, said the attacks took place on Saturday in the Kazakh district of Azerbaijan.

Grandmothers aid Young Democrats

By Nicholas Denton in Budapest

EASTERN EUROPE ELECTS

Hungary

THE MOST unlikely voters for the most unlikely party in yesterday's Hungarian elections were the old Budapest ladies who support Fidesz, the Alliance of Young Democrats, with the passion with which they love their grandchildren. For Fidesz leaders are young enough to be their grandchildren.

The phenomenon is no curious little quirk. Polls show that, after the young, pensioners are the most likely to sympathise with Fidesz. The ability of Fidesz to extend its appeal could let the party beat Hungary's ruling Socialists. After a witty and professional campaign, Fidesz has pushed past 10 per cent in the polls.

The Alliance of Free Democrats, the liberal party which may be the largest after the elections, rather patronisingly regards Fidesz radicals as "younger brothers".

Mr Gasper Tamas of the Free Democrats puts Fidesz' success down to the grandmother factor. "Their strongest support is among old ladies who think they're so sweet," he says.

But Fidesz voters themselves give more serious reasons for their affiliation. Mrs Lenke Szijj, who voted yesterday, agrees that Fidesz leaders are sweet but says: "Old people have made enough mistakes. Now it's time for young people. I am so old, nearly 90 years old, and I am fed up with old people."

The Fidesz campaign was not obviously targeted at pensioners. The party's best poster showed two pictures: one of Leonid Brezhnev and Erich Honecker, the old Soviet and East German leaders, fraternally kissing; the other of a young boy and girl with Fidesz badges in a similar embrace. The text: "Please choose."

A pop song with the lyrics "Follow your heart," the Fidesz election slogan, ran through the party's last television advertisement, but Mrs Szijj was not put off. "I don't like rock music but Fidesz is appealing, anyway."

Mrs Erzsebet Kiraly likes the honesty of Fidesz leaders. Mr Viktor Orban, the scruffy and bearded 27-year-old who is perhaps Hungary's best orator, said all the things that everyone believed and no one had dared say out loud. She voted for Fidesz "because the future belongs to young people".

At Mr Gergo Barath's campaign meetings there were only old and young people. The Fidesz leader, who looks still in his teens, has an explantion for the absence of the middle-aged: "They made compromises under the old régime. They made their lives then".

Free Democrats reap rich harvest

By Judy Dempsey

VOTERS in Hortobagy, one of the most conservative regions in eastern Hungary, which also boasts the finest pancakes, the biggest catfish and the smallest trees in the world, yesterday appeared to have upset the pundits by turning out to vote for the Budapest-based Alliance of Free Democrats.

"The atmosphere is very good here," said Mrs Erzsebet Albert Hajdu, one of the election officers. "People are very happy. For the first time their hands are not tied. They can vote for whom they like."

And they did.

Mr Istvan Kosina, a burly 37-year-old electrician, wanted change, and fast. "The Free Democrats are radical. They want to change the system and get rid of all these [Communist] criminals. That's why I voted for them."

Mr and Mrs Jozsef Gombos agreed. "I like the Free Democrats because they have nothing to do with the Communists."

The surprising fact is that the Free Democrats hardly campaigned at all in this string of small villages which are dotted along the Puszta, the vast, flat plains of eastern Hungary.

Much of the hard work was done by the right-of-centre provincial-based Hungarian Democratic Forum which is running neck-and-neck with the Free Democrats. The Smallholders, who have promised to return to its original owners all the land confiscated by the Communists in 1947, were hardly mentioned.

Mr Even Erno, a 54-year-old tractor driver for many years on one of the co-operative farms, opted for the Democratic Forum. "They did a good campaign," he said. Others said the "nice thing about the Forum is that they are not aggressive".

Those who did not vote for the two large parties were either the very old or the very young. Agnes, a 65-year-old who cycled straight from the Catholic church to the election centre, voted for the Christian Democrats. Mr Istvan Egri, a 19-year-old horse trainer, opted for Fidesz, the radical youth movement.

"You know, Fidesz never came down here. But I want them in and I want the Communists out."

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VW chief fails to calm Spaniards' investment fears

By Peter Bruce in Madrid

MR CARL HAHN, chairman of Volkswagen, came to the Costa Brava at the weekend to calm Spanish fears that West German industrial interest in a democratising Eastern Europe will divert funds earmarked for Spain. He may have inadvertently done the opposite.

He told over 300 Spanish industrialists and bankers in Lloret de Mar that VW would have to revise upwards its investment plans in its Spanish subsidiary, Seat, because of political change in East Germany. From the second half of this year, he said privately, Seat would begin exporting components, mainly body panels, to a Polo assembly plant VW *hopes to bring on stream* in East Germany.

But the enthusiasm for Eastern Europe expressed by both Mr Hahn and Mr Gerhard Leiner, Daimler Benz' Finance Director, left their audience in little doubt that Spain has lost its place as West German industry's favourite European investment target.

Spain already has the third biggest non-communist trade deficit in the world after the US and Britain and, as domestic demand slows, political changes in the East have caught Spanish industry off guard. The country is inexperienced as an exporter and industry has practically no knowledge of Eastern Europe.

Mr Hahn said Eastern Europe could create a market for 4.3m cars a year, and VW would need new capacity to build an extra 600,000 a year. He confirmed VW was negotiating a deal with Skoda in Czechoslovakia, in competition with other European producers, and said VW was considering making cars in Poland and Romania.

"Our opportunities grow by the day," he said. East German industrial structures, the Kombinats, would have to be smashed. Visiting VW's licensed engine plant in East Germany last week, he found it manned by immigrants. They would be replaced with "technically superb" Russian-speaking East Germans, he added.

"You will not recognise these countries in five years," Mr Hahn declared. This was not necessarily what the assembly wanted to hear. Mr Leiner warned that although Spain could still attract German investment, "some people still think Spanish wages are so low it is still favourable to build here. This is not the case. The gap is closing very quickly."

Mr Hahn and Mr Leiner's remarks were for for the most part received in worried silence. "You Spanish industrialists should go East," Mr Hahn told them. For Spain, that will be easier said than done.

Council of Europe ready to boost activities in east

By Patrick Blum in Lisbon

THE COUNCIL of Europe ended an extraordinary meeting in Lisbon this weekend, confident it had a mandate from its 23 member states to increase substantially its activities in eastern Europe to meet growing demand for help from the region's emerging democracies.

For the first time since the Council was set up in 1949 to promote human rights and pluralistic democracy, ministers and representatives from Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, the Soviet Union and Yugoslavia were invited to take part in its discussions.

Despite the optimism, discussions about the Council's expanding role in eastern Europe were overshadowed by concern over the rise of violence against minorities in Romania and events in Lithuania.

Mr Uffe Ellemann-Jensen, the Danish Foreign Minister, warned the Soviet Union against the use or threatened use of force against Lithuania.

"We appeal strongly to the Soviet Union not to use threats or pressures against the newly-elected parliament and government of Lithuania," he said. The use of force against the Lithuanian people would have "very serious consequences for international relations".

Mr William Waldegrave, the British Minister of State for Foreign Affairs, urged caution on both sides.

A proposal by Mr Alois Mock, the Austrian Foreign Minister, for a special conference to discuss the problem posed by the sharp increase in *the number of refugees from* eastern Europe to the West, will be discussed at a Council meeting in May.

The meeting also approved plans for an increase in the organisation's 1990 £50m budget to meet the extra demands on the Council's resources.

The Council is to discuss further how its expanded role will fit in with some of the activities falling under the umbrella of the Conference on Security and Co-operation in Europe (CSCE).

There was consensus about the need to reinforce the role of the two bodies in the field of human rights.

The Council decided to seek formal representation at forthcoming CSCE meetings.

US, Japan hopeful on economic co-operation

By Peter Riddell, US *Editor, in Washington*

THE US and Japanese finance ministers hope talks at the weekend will provide reassurance on stability of the international financial system.

They want to ensure the rise in the dollar against the Yen and the latest sharp fall in Tokyo share prices do not cause major disruption.

No new initiatives on interest rates or exchange market intervention were taken at the meeting in Los Angeles between Mr Nicholas Brady, US Treasury Secretary, and Mr Ryutaro Hashimoto, Japan's Finance Minister.

The two ministers later issued a statement jointly reaffirming "their commitment to economic policy co-ordination, including co-operation in exchange markets."

Mr Hashimoto said he had raised Japan's concerns about the weakness of the Yen and the desire for lower US interest rates. The US response was "not totally negative". Mr Brady said: "We'll continue to do in terms of policy co-ordination and intervention what we have up to now".

A US Treasury official said the main US concern was to make sure the system remained stable in face of upheavals, such as the 1987 stock market crash, collapse of the US junk bond market, German unification, emergence of the Eastern bloc, and rising interest rates.

On TV, Mr Brady noted that the fall in the Tokyo stock market had been assimilated in the international system without much of a ripple for the US and German markets. No reason existed why rises in Japanese and West German interest rates had to be reflected in the US.

The US priority in talking to Mr Hashimoto was to prepare for the full meeting of the Group of Seven finance ministers and central bank governors in Paris on April 7.

This will discuss ways of strengthening the policy co-ordination process to reinforce the message of stability.

Mr Brady, who saw the four European members of the G7 three weeks ago, will meet Mr Michael Wilson, Canada's Finance Minister, in Washington in the next few weeks.

A US Treasury official said there were advantages in such face-to-face talks, since the G7 meeting would have a full agenda, covering German unification, currency market changes, the Japanese stock market, and completion of the International Monetary Fund quota review.

Mr Hashimoto and Mr Brady also discussed the market-opening Structural Impediments Initiative. US officials noted, with satisfaction, Friday's pact on liberalising Japan's supercomputer imports, which one said should be the map to other deals.

Squabbles behind the Hollywood glitter

Alan Friedman puts the spotlight on the politicking that goes with the Oscar awards

IT'S OSCAR time again today and this evening's ceremony – a three-hour extravaganza that will be watched by hundreds of millions of viewers in 90 countries – comes in the wake of more controversy and behind-the-scenes politicking than Hollywood has seen in quite some time.

The viewers at home may not know – or care – but the 3,000 guests at the Chandler Pavilion in Los Angeles will be watching with a kind of secret mental score card, a "political" one.

The politicking has concerned just about every aspect of the star-studded event, from the quotient of kitsch considered "acceptable" in the programme to the site of the event, and to the glaring omission from the list of nominees of Roger and Me, the satirical documentary about Mr Roger Smith, the chairman of General Motors.

Clearly this is not the first time that the denizens of Hollywood have squabbled over the Academy awards.

But two factors – the exceedingly poor quality of last year's Oscar show (actors Paul Newman and Gregory Peck described it as demeaning) and the flap over Roger and Me – have made tonight's gala even more argued about than usual.

The main recipients of Tinsel Town pressure have been Mr Gilbert Cates, the show's new producer, and Mr Bruce Davis, executive director of the Academy of Motion Picture Arts and Sciences.

Mr Cates, a veteran director, was appointed to produce this year's show after a special committee of elders from the Academy looked into the reasons why last year's show was considered such a flop.

The most talked about problem last year was an overly long, badly orchestrated and glitzy singing-and-dancing number featuring an unseemly Snow White and dancers with fruit on their heads.

Worse still, no-one involved in the show bothered to ask Disney, the proprietor of the Snow White trademark, for permission. Disney was none too pleased.

Mr Davis admits that the Snow White episode was unfortunate, but he counters that ABC Television, the network which pays $10m for rights to the broadcast, was pleased because the ratings were high.

Aside from the show itself the other big controversy has been over the exclusion of Roger and Me, a funny documentary that tells the story of unemployed car workers in Flint, Michigan, and of how a journalist from Flint fails to get an appointment with Mr Roger Smith, the *effortlessly* bland chairman of General Motors.

The selection process for most of the 23 Oscar categories consists of Academy members from 12 different branches choosing nominees and then voting. But there is no branch for documentaries, which are judged by a special committee.

One member of this committee, who is also a distributor of documentaries, has been accused of having a conflict of interests because he owns the distribution rights to three of this year's five nominees in the documentary feature category. Mr Davis has promised to look into the charges.

The other two intensely "political" issues in Hollywood concern who gets invited to the event itself and who presents awards.

This year's venue, the Chandler Pavilion, has only half the 5,800 seats of the Shrine Auditorium, where last year's Oscars ceremony was held. Mr Davis claims it was the "terrible traffic" last year that led to the switch in venue. "We had nominees abandoning their limousines and skittering down hot sidewalks in their stockinged feet."

The issue of which stars will present top awards is also highly political. Mr Cates told the New York Times that a measure of any star's "security" is that he or she should be willing to present an award less important than Best Picture or Best Director. It remains to be seen this evening just how "secure" the stars really are.

OBITUARY

An Wang, the billion-dollar entrepreneur

THE STORY of Mr An Wang, the founder of Wang Laboratories, who died on Saturday at the age of 70, had all the makings of a best-selling novel.

His was the story of a Chinese immigrant to the US, who through his brilliant inventions and entrepreneurial excellence created a billion-dollar company before handing it over to his son.

An immigrant from Shanghai, Mr Wang received a first-class degree at the university there before travelling to the US in 1945 to take a postgraduate degree at Harvard in applied physics and engineering.

After the communist takeover in 1949, he decided to pursue his career in the US.

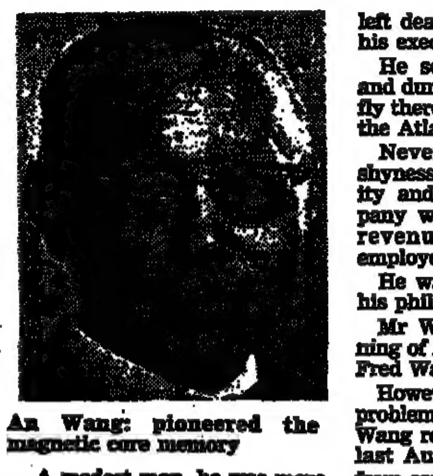
While at Harvard, he pioneered the development of magnetic core memory, which was to become the most common device for storing computer data before the invention of the memory chip.

Wang Laboratories was set up by Mr Wang in 1951 using $500,000 he had been paid by IBM for the patent covering his memory invention.

On meeting Mr Wang, it was difficult to perceive the dynamism that created a stream of ingenious technological products.

These included the world's first electronic scoreboard, one of the first programmable calculators, and a series of market-leading word-processors.

If his rise had the makings a best-seller, Mr Wang seldom retold the story.



An Wang: pioneered the magnetic core memory

A modest man, he was more than shy, and, on the whole, left dealings with the press to his executive aides.

He seldom visited Europe, and during the 1970s refused to fly there, preferring to cross by the Atlantic by ship.

Nevertheless, despite his shyness, his undoubted ingenuity and drive created a company which at one point had revenues of $3.1bn and employed 31,000 people.

He was also well known for his philanthropic work in US.

Mr Wang handed over running of his company to his son, Fred Wang in November 1987.

However, following financial problems at the company, Mr Wang returned to the business last August despite suffering from cancer of the oesophagus.

Paul Abrahams

Protest strike in Puerto Rico

TRADE UNIONS in Puerto Rico have called a one-day general strike on Wednesday to protest against the planned divestment by the island's administration of the local telephone company, writes Canute James.

The government of the US Caribbean possession is offering the company for $3bn, which would make it the largest divestment is US history. The government wants the money for use on social programmes.

Puerto Rican unions have not been assured by the government's undertaking that the purchasers of the telephone company will have to agree not to make any workers redundant for the first three years.

The unions want the government to cancel the sale.

NEWS IN BRIEF

Nightclub fire kills 87 in New York

A FIRE, possibly caused deliberately, swept through a crammed private nightclub in a slum district in the Bronx early yesterday, killing at least 87 people, most of them immigrants from central America, agencies report from New York.

Fire department officials said there were signs that the blaze had been started deliberately but declined comment on reports that petrol cans had been found at the scene.

The fire broke out shortly in the two-storey red brick Happy Land social club packed with more than 100 dancers. Many were from Honduras and the Dominican Republic. Authorities and witnesses said the panic-stricken victims were trapped and only one man apparently managed to escape, severely burned.

Christians fight in Beirut

Rival Christians fought each other in their Lebanese heartland yesterday, killing four people and wounding 11 in a storm of machinegun, rocket, tank and artillery fire, Reuter reports from Beirut.

Security sources said General Michel Aoun's troops and Lebanese Forces militiamen fought for 90 minutes in the east Beirut suburbs of Ashrafiyeh, Sin el-Fil, Saloumi and Dora.

The fighting was the worst breach of a fragile church-mediated ceasefire reached on March 2 to halt fierce battles between Gen Aoun's 15,000 troops and the militia's 10,000-man force.

At least 830 people have been killed and more than 2,650 wounded in the fighting which started on January 31 when Gen Aoun ordered the militia to disarm.

French mission to Moscow

A French trade delegation begins a three-day visit to Moscow today in an attempt to improve flagging Franco-Soviet commerce and to negotiate over late Soviet payment of trade debts, writes William Dawkins in Paris.

Mr Pierre Bérégovoy, the French Finance Minister and 40 senior executives, will meet senior Soviet officials to discuss a range of bilateral trade and co-operation issues, including the establishment of a training programme for 3,000 Soviet executives, the repatriation of foreign exchange by French companies working in the Soviet Union and the difficulties encountered by the 40 existing Franco-Soviet joint ventures.

Late payments to some French businesses are also on the agenda, an important theme for the French Government which over the weekend announced a credit guarantee scheme for small and medium-sized French businesses operating in eastern Europe.

Mongolians demonstrate

More than 10,000 people demonstrated in the Mongolian capital Ulan Bator yesterday against continuing Communist domination, the East German news agency ADN said, AP reports from East Berlin.

The demonstrators also called for the resignation of the nation's parliament, the Great People's Hural. The agency quoted Mongolian opposition leader Sanyaasuren Zorig as saying that the scrapping of the Communist Party's constitutional monopoly on power on Friday was an insufficient measure.

Concern over Soviet Jews

Israel sent a senior official to Budapest yesterday amid concern that restrictions by the Hungarian state airline could seriously slow the exodus of Soviet Jews to the Jewish state, Reuter reports from Jerusalem.

The Foreign Ministry's assistant director-general for East European affairs, Mr Yosef Govrin, flew to Hungary hoping to secure resumption of flights for Soviet Jews that were halted last week after threats by a radical Palestinian group.

AUSTRALIAN HUNG PARLIAMENT POSSIBLE

Labor confident of returning for fourth term

By Chris Sherwell in Sydney

AUSTRALIA'S Labor party was confident of returning to power for a fourth term yesterday, despite a drain of support in Saturday's election which has raised the prospect of a hung parliament.

With 80 per cent of votes counted, at least six of the 148 lower house seats were still in doubt. Analysts estimated 71 seats had gone to Labor, led by Prime Minister Bob Hawke, 70 to the Liberal-National party coalition, headed by Mr Andrew Peacock, and one to an independent.

Australians now face several days of uncertainty while postal votes are counted and voters' second and third preferences are distributed. Financial markets are expected to respond negatively to the lack of direction, particularly if it means government instability or another election.

Both Mr Hawke and Mr Peacock said they expected to form a government, but Labor officials expected a majority of two to four while the less confident Liberals foresee a parliament in which the two sides each hold 73 seats alongside two independents. Pending the outcome, Mr Hawke will continue in a caretaker role.

Preliminary figures indicated that Labor captured just under 40 per cent of the primary vote, a drop of around six points, while the Liberals improved marginally to secure just under 35 per cent and their National party allies dipped more than three points to eight per cent. The minority Australian Democrats surged some five percentage points to take 11 per cent.

In a novel development, voting in the Queensland seat of Kennedy had to be postponed on Saturday because of flooding, putting added pressure on electors yesterday. The final outcome now hinges on results from this seat together with another in South Australia, two in New South Wales and two in Western Australia.

In these and other constituencies, the preferences of voters who backed minority parties will be crucial. As a result of its targeted environment campaign and an unusually direct pitch for preferences, Labor is expecting a 60:40 split in its favour from votes for Australian Democrats and Green independents.

The most significant factor in Labor's poor showing was a disastrous loss of support in Victoria, where the party's state government has presided over financial losses at the state bank and industrial unrest.

Eight seats are thought to have fallen to mostly Thatcherite Liberal candidates, destroying most of Labor's national majority of 18. Labor's share of the primary vote plummeted in Western Australia too.

Bob Hawke hugs his wife Hazel as the results come in

Against this, Labor benefited from the troubles of the corruption-tainted National party. The Nationals yesterday appeared in danger of losing both their leader, Mr Charles Blunt, who is threatened by an independent in northern New South Wales, and their deputy leader, Mr John Stone, in the party's Queensland heartland.

Mrs Janine Haines, the leader of the Australian Democrats, failed in her bid to secure the party's first lower house seat, and is bowing out of politics altogether. In wealthy North Sydney the Liberals' Mr John Spender lost to the popular Mr Ted Mack who became the first independent to win a seat in some 25 years.

Mr Peacock and his deputy, Mr Fred Chaney, both acknowledged that the Liberals would probably be in government if the National party had performed better, while Mr John Howard, the former Liberal leader, said "the mark of Cain" – a reference to the Victorian Premier Mr John Cain – was heavily upon Labor.

For Labor Mr Hawke said the election had effectively produced a "status quo" result outside Victoria, where he acknowledged a "disaster" attributable to state factors. Senator Gareth Evans, the Foreign Minister, called the result a "comprehensive kick in the tail for the Victorian government and the National party".

S Africa to abandon segregation in schools

By Patti Waldmeir in Johannesburg

THE South African Government has decided to abandon the principle of segregated state education – a decision seen as a step towards dismantling apartheid.

From January 1 next year, white state schools will be allowed to accept non-white children. But the final decision is to rest with the parents of pupils at each school, with approval required from a large majority of parents – perhaps as high as 90 per cent – before a school can be open to all races.

This is likely to mean that, though the principle of integration has been accepted, the practice of segregation will continue in all but a few schools.

The move, announced by Mr Piet Clase, Minister of (white) Education, has been condemned by the ultra-right Conservative Party. The party's education spokesman, Mr Andrew Gerber, called it "a drastic and tragic change of course in the history of education in South Africa".

However, Mr Roger Burrows, spokesman for the liberal Democratic Party, hailed the decision as a watershed which would "irrevocably move the country away from apartheid". Schools segregation has been one of the pillars of the apartheid system in force since 1948.

Under the Government's plan, state schools which decide on integration would have two options: to remain state schools (a choice never before open to them) or to register as private schools but with a substantial state subsidy. Previously, the Government has turned a blind eye to integration in private schools, but provided only a limited subsidy.

To overcome years of underfunding of black education, the Government appears to be moving towards a system where affluent communities – whites, and some coloureds and Indians – would pay to educate their own children privately. State resources would be used mainly to educate black children in overwhelmingly black schools.

Argentina seeks to unblock IMF loan

By Gary Mead in Buenos Aires

ARGENTINA'S Peronist Government has sent a fresh letter of intent to the International Monetary Fund in Washington, hoping to unblock several tranches of a $1.4bn (£875m) stand-by loan which was suspended by the Fund at the start of this year. Only the first tranche, some $230m, has been disbursed.

The new letter of intent includes the following aims: from April prices should not rise by more than 65 per cent by year-end, easing downwards until December registers just 2 per cent a month; projected zero growth in gross domestic product for 1990; a Treasury surplus of 2 per cent of GDP for 1990; a forecast trade surplus of $4.8bn; and a small fiscal surplus, reversing large fiscal deficits of recent years.

Several Argentine Government officials, including Mr Javier Gonzalez Fraga, senior Economic Ministry adviser, are due to travel to Washington this week to discuss the letter with Fund officials. Government officials are confident that the blocked IMF stand-by loan will be restored by the start of May.

The two main areas where last October's letter of intent collapsed were inflation and the fiscal deficit.

The new targets are no less demanding than those of October 1989's letter of intent. Inflation has averaged 50 per cent a month since last December; that average is likely to climb to 65 per cent by the end of March. However, in the last two weeks prices have stabilised and in some cases even dropped.

Increased tax revenues are also easing the Government's immediate problems, though thanks to the recent hyperinflationary surge February's introduction of generalised value added tax at 13 per cent has not yet brought in as many fresh funds as projected.

On one front, exchange rates, the Government has registered considerable success in March. The austral has not only stabilised but has strengthened against the dollar by 25 per cent since February to its current exchange rate of 4,500 to $1.

Observers are not sure whether the growing number of optimistic signs concerning the economy are more than transient. Restoration of the IMF loan is now a probability, but further credit will depend on President Carlos Menem's ability to maintain his currently firm political and economic control.

Stronger UK-Argentine links welcomed

By Andrew Marshall

A JOINT Argentine/British opinion poll shows that both sides overwhelmingly welcome the renewal of diplomatic relations, although they remain far apart on the disputed sovereignty of the Falkland Islands.

In Britain, 70 per cent agreed with the renewal of relations, and in Argentina the figure was 81 per cent. The poll, released today, surveyed 856 Britons and 800 Argentines. It was undertaken by Gallup Poll in the UK and Socmerc in Argentina and commissioned by the South Atlantic Council, set up to work for better Anglo-Argentine understanding after the Falklands war in 1982.

The majority of respondents who expressed an opinion in both countries rejected a lease-back approach to the Falkland Islands, whereby Britain gives the islands to Argentina but retains control for the lifetime of the present inhabitants.

One-third of British respondents wanted the islands to be permanently British, while 66 per cent of Argentines wanted full sovereignty. Interestingly, 22 per cent of the British sample thought the best long-term future for the islands was independence.

The poll shows overwhelming British support, at 63 per cent, for the Conservative Party's stand that the islanders have the right to decide their own future. This view was also supported by 24 per cent of Argentines, up from 15 per cent in 1988.

Initiative on Angola war

MR Eduard Shevardnadze, the Soviet Foreign Minister, said at the weekend that he and Mr James Baker, US Secretary of State, had agreed to work together on ending 15-year bush wars in Angola and Mozambique, Reuter reports from Harare.

Speaking as he left Zimbabwe for Tanzania on his seven-nation African tour, Mr Shevardnadze said: "Mr Baker and I have agreed to exert our efforts in order to promote the implementation of a policy of reconciliation in those two countries." The two men held lengthy talks on Tuesday in Namibia during independence celebrations there.

Mr Shevardnadze has also visited Angola, Zambia and Mozambique and is due to travel to Nigeria from Tanzania.

EC forced to face up to green currency truth

States must grasp the chance to remove farm price excesses, Tim Dickson writes

IT ENCOURAGES fraud, is fundamentally inflationary, and, in the view of Brussels officials, its very opaqueness gives the European Community a bad name.

Welcome to the EC's agri-monetary system, which for much of this week will be centre stage as agriculture ministers struggle to fix the level of guaranteed farm prices for the next 12 months. Manipulating "green" currencies the way the system permits has proved a useful, not to say essential, device for breaking negotiating deadlocks. This week's meeting in Luxembourg will be no exception.

But the real issue for member states is whether, in the next few years, they will grasp the chance provided by the EC's single market to remove at least the worst excesses of what one expert scathingly calls "an expensive con".

Not for the first time, where farming is concerned, the EC is being reluctantly forced to face reality. Budget pressures and international opinion hastened reform of the Common Agricultural Policy's guaranteed-price mechanisms two years ago. In this instance, the centrepiece of the 1992 programme – a market without internal frontiers – is providing the essential spur.

Border controls have two main uses in intra-Community trade – to check goods subject to value added tax and excise duties (on which plenty has so far been written), and administer monetary compensatory amounts (MCAs), the levies and subsidies designed to iron out currency distortions in cross-border farm trade.

MCAs lie at the heart of the EC's agri-monetary arrangements – but when the political commitment to abandon them by the end of 1992 was taken in mid-1988, agriculture ministers had not worked out how to avoid offending their powerful farm lobbies (notably West German), had probably not thought out the embarrassing implications for the EC's position in the Uruguay Round international trade talks, and had certainly not decided what to put in their place.

It is one of the most powerful myths that agriculture in Europe is the only true common market. The truth is that while common prices have long existed in the EC's currency, the Ecu, prices diverge considerably when it comes to the national money which farmers actually pocket.

The agri-monetary system dates back to 1969 when, in the wake of revaluation of the D-Mark and a devaluation of the French franc, the EC let Germany and France continue calculating national farm prices on the basis of previous exchange rates (that is, before the parity change).

The reasons for creating these distinct "green" rates were political – Paris wanted to discourage food price rises which would fuel inflation and Bonn was reluctant to accept a cut in farm incomes through the common price translating into fewer D-Marks for its producers.

MCAs – "positive" for revaluing currencies, "negative" for devaluing ones – were also introduced to avoid distortions in the operations of the EC "intervention" purchase mechanisms in the member states and enable cross-border trade to continue at a common price level.

Without them, lower-price countries would have been able to sell their surplus wheat into "intervention" stores in higher price countries – or displace produce from the local market – while farmers in the strong-currency countries would have been at a competitive disadvantage in trying to sell their output in the weaker-currency states.

The system – justified in many ways, not least the desire to guarantee a degree of certainty among the vagaries of the farm sector – has since undergone changes and refinements in the monetary environment. The Bretton Woods era of fixed parities ended in the early 1970s and the European Monetary System came in during 1979 (using the Ecu as its base). Today, not all states in the EC fully participate in the Exchange Rate Mechanism

1992 THE EUROPEAN MARKET

(ERM) of the EMS.

It was implicit from the start MCAs would only be temporary: a palliative to ease adjustment to the changing realities. But from the start, it was politically easier to dismantle the negative gaps between real and green exchange rates, because the devaluation of green currencies which this entailed meant a price rise in national money. Removing positive MCAs proved troublesome for the opposite reason.

Substantial nominal Ecu price rises in the 1970s at least partly disguised the problem but new pressures emerged as growing surpluses forced increasing price restraint in Brussels in the early 1980s. An important result was the establishment in 1984 of the so-called "switchover" system on which many of today's evils are blamed, and when the Ecu for all practical purposes was abandoned.

What happened was that member states decided to apply a co-efficient or "correcting factor" to ensure that at realignments the common farm-price level appreciated in line with the strongest currency in the ERM (in practice the D-Mark), and that no new positive MCAs were subsequently created.

The effect may have been better to restore market unity but, as spelt out in a British Government critique in 1988, the "strongest-currency" system "has resulted in a higher average level of agricultural prices than under the earlier system" and has added to the Community's budgetary difficulties, and inflation. "It has enabled the Community to appear to be following a severe price policy while concealing the off-setting effect of green rate devaluations."

The June 1987 European Summit agreed a modification to the system so that when the correcting factor was increased 25 per cent, the effect is neutralised, with a reduction in prices from the start of the following marketing year. That does not ignore the fact that the green Ecu – the rate that matters for farmers – is worth 14.3 per cent more than the real Ecu.

Scrapping the green Ecu in line with 1992 should theoretically lead to a cut in support prices by the same amount. Politically, this seems inconceivable; what is more likely is a one-off technical offsetting rise in institutional prices, an admission no doubt to be milked to the full by EC farm policy critics such as Australia, New Zealand and the US.

Supporters like the West German Chancellor, Mr Helmut Kohl, a regular correspondent on the subject with Commission President Mr Jacques Delors, believe MCAs are the glue that has bound the CAP together for the past 20 years of currency adjustments, and that they should stay. Critics such as the EC Court of Auditors highlight the system's inherently inflationary nature, the EC budget's lack of transparency, and the scope for fraud.

In 1986, when the UK had a higher negative MCA than Ireland, lucrative trade went on in smuggling cattle from Northern Ireland into the Irish Republic. At other times, a quirk makes it profitable for French and Belgians to load farm goods at their own ports but declare them for export in the Netherlands.

Scrapping existing MCAs, especially the small ones remaining for currencies in the ERM, is not the real problem, though there will be much huffing and puffing this week in Luxembourg. Britain wants a larger green-pound devaluation than the one-third cut proposed by the Commission; Bonn will prove obdurate on the plan to close outstanding monetary gaps (left over from before 1984).

The more important challenge for the EC is how to avoid creating new MCAs after 1992, and if special treatment for farmers in Brussels will continue into the 1990s. A so-far confidential and controversial Commission paper written last year proposed abolishing the correcting factor and MCAs, but envisages that small differences between national and Ecu prices or green currencies might persist.

But discussion of these ideas by the full Commission has been repeatedly held up, and given the sensitivity in Bonn, will not be tackled before the West German elections. By then, the dynamics of German unification may have changed all the arguments, but with France fast becoming a net contributor to the EC budget, insiders think Paris will ultimately hold the key.

US likely to join bank to aid reform in E Europe

By Peter Riddell, US Editor, in Washington

THE US will now probably join the proposed European Reconstruction and Development Bank to assist economic reform in Eastern Europe, although the Bush Administration is taking a tough line on limiting borrowing by the Soviet Union to obtain a compromise from Moscow and to win Congressional support.

Mr Nicholas Brady, the US Treasury Secretary, has told Congress that, whether the US joins or not, the bank will go ahead.

"Let's conjure up together what the headlines would be if we didn't join this. It's kind of a stark proposition to think of us not as a member," he declared.

"What sort of signal would that send to the Eastern bloc countries that are so counting on our help and who come to Washington once a week to ask for our assistance?"

The difficult negotiations over the French initiative for the $12bn (£7bn) bank – which are due to be concluded in Paris in two weeks' time – have demonstrated the extent of the limits on the US's ability to control events.

Some officials in Washington might have preferred to have increased lending via established institutions, including the International Finance Corporation, the private sector arm of the World Bank. But they have accepted that, for political reasons, the Europeans, especially the French and Germans, wanted their own bank.

Noting the contrast with the Marshall Plan era of the late 1940s, as well as current limits on US resources, Mr David Mulford, US Treasury Under-Secretary for International Affairs, has turned the argument round to talk of burden-sharing with successful European countries.

Washington will still be the largest single shareholder, having probably about 10 per cent, as compared to 8.5 per cent for the major European countries. However, this stake is about half that of the US in the International Monetary Fund and World Bank.

None the less, the US has won on the important point of ensuring that, unlike other development banks, at least 60 per cent of the new institution's annual lending will be to the private sector or to state enterprises which are being privatised.

'Let's conjure up together what the headlines would be if we didn't join this. It's a stark proposition to think of us not as a member'

The main sticking point is over the role the Soviet Union will play in the enterprise. The US has wanted to limit the bank to Eastern Europe, and, at most, initially limit any Soviet borrowing up to the amount of its paid-in capital, a net zero.

This is partly to prevent the Soviet Union from dominating the bank.

A compromise floated by the US, with Japanese and broad European support, including backing from Britain, is that the Soviet Union should give a voluntary undertaking to limit its borrowing to this level for, it is suggested, five years, with loans going solely to technical assistance and private sector operations.

After that period, an 85 per cent majority would be required to grant full borrowing eligibility.

US officials are hopeful about Moscow's agreeing to this. The US's public insistence on this position as a "deal-breaker" determining its participation partly reflects the Administration's refusal to give direct financial assistance to the Soviet Union, but also reflects an awareness of problems involved in winning Congressional approval.

There is a need for the US to be seen to avoid being "soft on the Ruskies", of subsidising communism. Not only have such diehards as Senator Jesse Helms opposed US involvement, but Senator Robert Dole, the Republican Minority leader, and Senator Robert Kasten have proposed the alternative of setting up a special facility at the World Bank – of which there is no chance.

Senator Kasten spoke last week of the danger of domination by "European policy-makers who are indifferent, if not hostile, to growth economics" and who still believe that "socialism can be reformed".

The other difficulty the US faces is over the proposal that the bank's capital be denominated in European Currency Units rather than dollars.

The US claims that an open-ended foreign currency risk is unacceptable for its Budgetary calculations, and it is considering putting a cap on its dollar contribution.

Provided, however, some compromise can be worked out with the Soviet Union, the US looks virtually certain to participate in the project – mainly for the political reason of not wanting to turn its back on Eastern Europe.

New bid to speed trade talks

TEN world political and economic leaders yesterday warned of dire effects if international trade talks fail to succeed by December, and named a new Eminent Persons Group pledged to finalising the Uruguay Round, Nancy Dunne reports from Washington.

Members represent major trading countries. They are: Lord David Young, former UK Secretary of State, Trade and Industry; Mr William Brock, former US Trade Representative; Mr Enrique Iglesias, president, Inter-American Development Bank; Mr Michael Moore, NZ Foreign Affairs and Trade Minister; Mr Peter Sutherland, former EC Commissioner; Dr Viravam Amnuay, former Thai Finance Minister; Mr Paul Jolles, former Swiss Secretary of State, Foreign Economic Affairs; Mr Otto Lambsdorff, former West German Economics Minister; Mr Yoshio Okawara, former Japanese Ambassador to the US; Mr Ali Alatas, Indonesia's Foreign Affairs Minister. Mr Martin Wolf, chief economics leader writer for the Financial Times, will advise them and be rapporteur.

The group said the slowdown in negotiations and the pace of change in the world threaten to sideline the Gatt talks. Failure could plunge the world into trade stagnation, recession, and strained links between trading blocs.

WORLD ECONOMIC INDICATORS

TRADE STATISTICS

		Feb.'90	Jan.'90	Dec.'89	Feb.'89
UK (£bn)	exports	8.438	8.502	8.720	6.871
	imports	9.833	10.522	9.637	9.116
	balance	-1.395	-2.020	-0.917	-2.245
France (FFrbn)	exports	97.886	105.454	97.770	93.339
	imports	98.847	105.865	100.141	93.771
	balance	-0.961	-0.411	-2.441	-0.432
		Jan.'90	Dec.'89	Nov'89	Jan.'89
US ($bn)	exports	32.072	30.843	30.627	28.365
	imports	41.325	38.522	40.739	36.886
	balance	-9.253	-7.678	-10.112	-8.521
W. Germany (DMbn)	exports	57.50	53.10	53.80	52.50
	imports	44.00	44.00	43.90	40.00
	balance	+13.50	+9.10	+9.90	+12.50
Japan (US$bn)	exports	22.021	21.260	22.592	24.040
	imports	16.982	17.422	17.028	14.089
	balance	+5.039	+3.838	+5.725	+9.951

Scotland expects lowest price for electricity

By James Buxton, Scottish Correspondent

AVERAGE electricity prices in Scotland are expected to be lower than those in England and Wales after privatisation, mainly because of Scotland's better electricity distribution system.

Mr Malcolm Rifkind, the Scottish Secretary, is expected to announce the so-called X factor in the pricing formula for the two Scottish electricity companies on Thursday. The companies, Scottish Power and Scottish Hydro-Electric, will also announce their tariffs for the coming year.

Mr Rifkind indicated last week that average tariffs for the coming year would not increase by much more than the rate of inflation and that, over the next four years, the average price rises to customers would be held below the rate of inflation.

In the following four years, regulation would gradually move over to an index derived from average generation prices in England and Wales.

Last week Mr John Wakeham, the Energy Secretary, announced price formulae for the English and Welsh distribution companies ranging from the Retail Price Index (RPI) plus zero to RPI plus 2.5 per cent.

The main difference between Scotland and England is that the Scottish boards began a large programme of refurbishing their distribution network in 1982.

It now requires less investment than the network south of the border. Distribution companies in England and Wales need to double their capital spending programme over the next 10 years to £10bn.

Rifkind: tariff rises not much more than inflation

Regulation of electricity prices in Scotland will not apply to customers taking 10 MW or more, whose tariffs will be governed by competitive forces.

Prices to smaller customers will be regulated but the electricity companies will be free to set different tariffs for different groups of customers within the average price cap.

Both Scottish companies have reached outline agreement on sales of electricity to some of the English distribution companies, with Scottish Power having agreed sales of about 180 MW and Scottish Hydro-Electric deals for about 100 MW.

The contracts are subject to agreement with National Grid Company (Gridco), responsible for running the national transmission network, on the cost of using the transmission line between England and Scotland, which has capacity of about 800 MW.

New leasing up 20% but growth is slowing

By David Lascelles, Banking Editor

THE VOLUME of new leasing business written by members of the Equipment Leasing Association rose by 20 per cent to £13.6bn last year. However, much of last year's growth occurred in the first half, with business slowing down in the second half because of the effect of high interest rates.

Mr Derek Soper, ELA chairman, said the downturn would probably be most strongly reflected in the figures for the early part of this year. However, he predicted a soft landing because companies used leasing as a means of financing new equipment without the need for immediate capital investment.

The market sector that showed the largest increase last year was manufacturing, where business jumped by 53 per cent to £3.8bn. General plant and equipment accounted for 25 per cent of the total – up 36 per cent on the 1988 figure. Vehicle leasing was the largest sector in monetary terms, with a record £5.8bn of cars and commercial vehicles financed during 1989.

The ELA says its members represent more than 80 per cent of the leasing industry and finance 27 per cent of all investment in plant and equipment in the UK.

Runcie's retirement opens debate over successor

By Alan Pike and Maggie Urry

THE RETIREMENT of the Archbishop of Canterbury, Dr Robert Runcie, will mean that his successor and a newly elected General Synod will work together on the most controversial issue facing the Church of England in the 1990s – the ordination of women.

Dr Runcie's decision to leave before his 70th birthday – the normal retirement age – in October 1991 was not unexpected.

Discussion about the timing of his resignation, and his likely successor, has been alive in the Church for the past year or two. Dr Runcie said that an early handover would allow his successor to tackle a number of fresh initiatives and to attend the Assembly of the World Council of Churches next February as well as the meeting of the Primates of the Anglican Communion in Belfast in April 1991.

Dr Runcie has tried to adopt a diplomatic position on the potentially highly divisive issue of the ordination of women, showing himself sympathetic but anxious to avoid a damaging split.

He has also had to handle difficult issues such as unity with the Roman Catholic church, homosexuality and divorce of clergy.

Dr Runcie's pronouncements on poverty and other social issues have led to many Conservative MPs regarding him – and the Church which he heads – as openly critical of the Government.

That will add a strong political dimension to the debate about the choice of his successor. Mrs Margaret Thatcher, the Prime Minister, will advise the Queen on his successor. She is likely to favour a more traditionalist figure.

Within the Church, Dr Runcie has led what has become known as the liberal wing. Traditionalists believe this increasingly influential group of senior clerics has been too quick to support contemporary issues at the expense of more established values.

The Archbishop of York, Dr John Habgood, is presumed to be too openly identified with the liberal cause to win support from the Prime Minister and is, in any case, likely to be excluded on the grounds of his age; he is 62.

Age also rules out the Church's leading traditionalist – The Bishop of London, Dr Graham Leonard, 68 – who has led the opposition to the ordination of women. Several other prominent bishops, such as the Bishop of Liverpool, Rt Rev David Shepherd, are also unlikely to find favour with the Government, in view of their outspoken positions on social and economic issues.

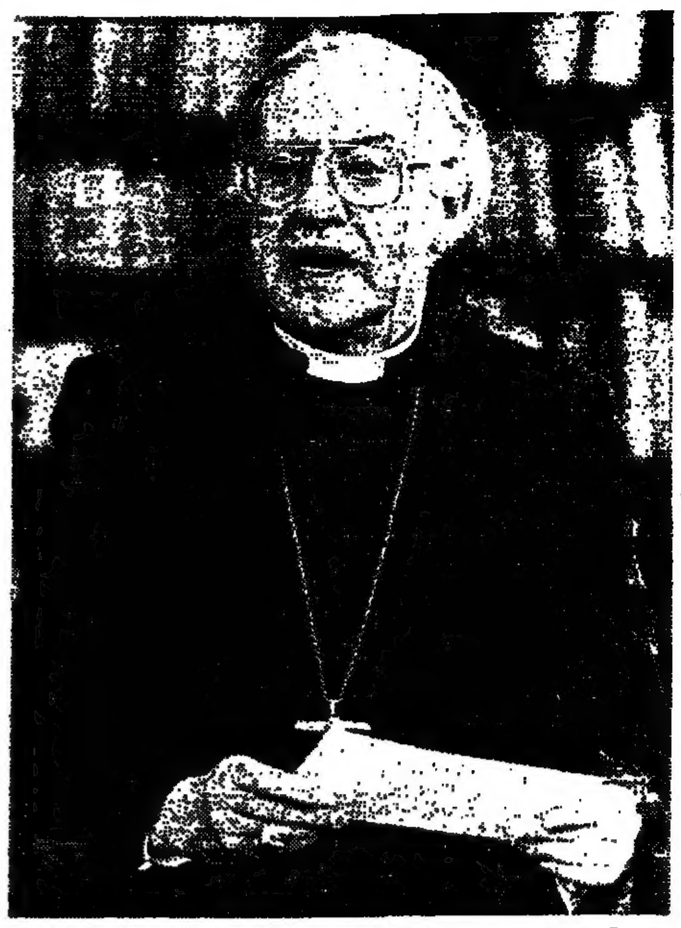
One suggestion raised at the 1988 Lambeth conference of Anglican bishops was that the next archbishop, who is nominal head of the worldwide Anglican communion, might come from outside the Church of England. If that gained support, a front runner would be the Archbishop of Armagh and Anglican Primate of Ireland, the Rt Rev Robert Eames, who would be likely to find favour with the Government.

The selection procedure, which takes several months, involves the Crown Appointments Commission selecting two names from a list of possible candidates. The Prime Minister then puts one name to the Queen.

The Prime Minister can turn down both the suggested candidates if she is not satisfied with them. The Queen, who is head of the Church of England, is expected to accept whomever the Prime Minister nominates.

Lambeth Palace said yesterday that Dr Runcie had been "undaunted" during his period of office. He is understood to be hopeful that Mr Terry Waite, his special envoy who has been held hostage in the Lebanon since January 1987, will be released before his retirement.

He is expected to retire to St Albans and to pursue hobbies which include keeping Berkshire pigs.



Dr Robert Runcie: retirement decision was expected

Social issues that led Archbishop into areas of controversy

FROM THE START of his 10 years as spiritual leader of the Church of England, the Archbishop of Canterbury, it became clear that Dr Runcie's role would be more than simply ecclesiastical, writes Paul Abrahams.

In 1980, the year of his enthronement, he criticised the Government for cutting overseas aid and in its attitude to the Brandt report on the global economic divide. In 1981, he called for a ban on tactical nuclear weapons and in the following year, he opposed unilateral nuclear disarmament.

After the Falklands conflict, he preached forgiveness for Argentina at a memorial service in St Paul's.

During the miners' strike in 1984, Dr Runcie supported the Bishop of Durham, who had criticised the Government in its handling of the strike and had called for the removal of Mr Ian MacGregor, then Coal Board chairman.

Later that year he challenged the Government over policies which he said caused, "unemployment on an unprecedented scale, poverty, bureaucracy, despair about the future of some communities and inequitable sharing of the sacrifices called for." In that year he also gave support to the appointment of women priests.

A Church of England report on decaying inner cities the following year prompted accusations from conservative ministers of "Communist-Marxist" recommendations.

Last year, he again attacked the Governments's attitude to poverty and suggested that Britain was moving towards a pharisaical society of selfishness. He also called for Christians to accept the Pope as universal leader of the Church.

Brussels plan may lead to ban on some meats

THE MEAT and Livestock Commission has criticised EC plans for hygiene measures that could lead to the banning of certain types of minced beef, sausages and beefburgers in the UK.

The Brussels proposal, concerning raw beef, which is seldom eaten in Britain, would require minced beef to be no older than six days.

Britain's meat trade hangs beef carcasses to improve texture and flavour for a minimum of 10 days before processing. Cooking it properly destroyed any bacteria present, the commission said.

CBI share ownership survey

THE Confederation of British Industry task force set up to widen direct share ownership will this week conduct a survey of companies' attitudes to the issue, writes Paul Abrahams.

The survey will be sent to all listed companies.

It will ask what their attitudes are to investor relation policies, employee share ownership schemes and the extent that companies know about their shareholders.

The survey will also ask what companies are doing to attract private shareholders as investors.

M&G Group tops client service survey

By Eric Short, Pensions Correspondent

THE LIFE and pensions operations of the M&G Group were awarded top place for service and administration to clients in the second annual survey conducted by the Alexander Consulting Group.

The survey is based on the experience of Alexander staff in dealing with insurance companies.

It is assessed on speed and efficiency of service, both at head office and at local branches, and the knowledge and helpfulness of insurance company staff.

The first survey last year produced a barrage of criticism from Alexander over service and administration.

This year's survey showed that insurance companies had responded to the criticism and the staff of Alexander Group was reporting a rise in standards and efficiency, particularly from the smaller companies.

Nevertheless, Alexander still feels that considerable scope exists for improvement by life company staff.

LIFE COMPANIES (Service standards)

1	M & G
2=	Clerical Medical
2=	Prolific
4	Allied Dunbar
5	London & Manchester
6	Canada Life
7=	Confederation Life
7=	Scottish Mutual
9=	Sun Life
9=	Swiss Life

Source: Alexander Consulting Group

BSB starts but with restricted service

BSB, the satellite television service, started broadcasting yesterday. Transmission was restricted to one of the five BSB channels and was available only on cable networks.

Full transmission to customers with "squarial" receiving dishes will start on April 29.

Shareholders in BSB include Pearson, the group that owns the Financial Times.

Jobs feast and famine mark the north-south divide

Hazel Duffy charts the way Swindon and Sunderland, once so similar, have gone their separate ways

THE DECISION by Marconi last week to close its electronic devices division in Swindon with the loss of 280 jobs, most of them highly skilled, is the first such blow to the town for some time.

Swindon still provides a striking example of growth in the south, in spite of the closure, which was made because of expectations of a drop in demand for defence equipment.

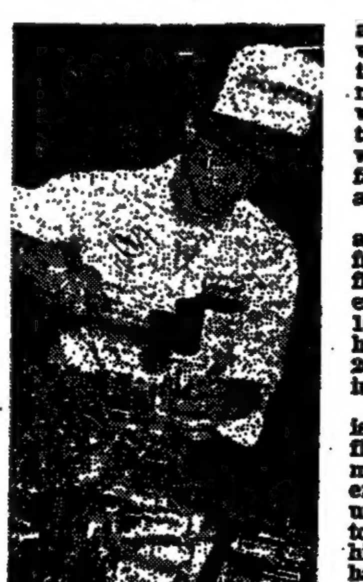
Sunderland, in the north-east, provides stark contrast. The town is still struggling to recover from the loss of shipbuilding and the contraction of engineering.

For Sunderland, persistently high interest rates could be serious. In the south, some slowdown might be secretly welcomed by employers confronted with labour shortages, staff poaching and leapfrogging in wages.

Swindon, in Wiltshire, has excellent communications and plentiful supplies of land. That was what attracted Galileo, the computerised travel, reservation and information systems owned by 10 airlines, to the town two years ago. It now employs 700 people.

Honda, the Japanese car maker, arrived in 1986, initially to carry out pre-delivery inspections. It is now assembling engines and in the new year will start assembling cars on what was once an airfield.

These arrivals are worrying other employers in the town because of the local labour shortage. Mr Paul Humphreys, managing director of Bluebird, which makes Bluebird and Merit brand toys, in Swindon believes Galileo has already made it more difficult to recruit office staff, and Honda will make it worse. Bluebird has sought to overcome the shortage by expanding in Wales rather than Swindon.



Swindon: assembly line at the new Honda factory

Campaigns to entice women back to work are under way. School leavers have been the traditional targets, but now nurseries are being set up and child-care vouchers issued to try to reach the working mother. Older women are being being encouraged to return to work, too.

Wiltshire is thought to have a greater untapped resource in women than nearby Bristol, in the county of Avon. Women made up 43 per cent of the working population in Wiltshire in 1984, and the female workforce is expected to rise faster than the number of jobs available.

Wiltshire, Gloucestershire and Avon are all suffering from labour shortages, intensified by the drop in school leavers. Between 1988 and 1994, the 16 to 18-year-old group will have dropped by an estimated 26 per cent in Wiltshire, for instance.

Unemployment in Swindon is only just over 3 per cent, a figure seen by some economists as the equivalent of full employment. In Sunderland, unemployment in the travel-to-work area is 12.5 per cent, high even for the region, which has a figure of 11 per cent.

In the past, the two towns were not so far apart. Swindon lost a lot of engineering jobs in the early 1980s, culminating in the closure of the railway workshops in 1987.

Yet the closure never hung over the Swindon economy like that of North East Shipbuilders. About 2,000 people were made redundant at the end of 1988, about as many as at the railway workshops. Both had been cutting employment for many years before closure.

Swindon continues to expand. Business parks multiply. Plans for 10,000 houses to the west of the town had been nodded through by Mr Nicholas Ridley when he was Environment Secretary.

National Power will be moving most of its staff to Swindon. Manufacturing is also on the verge of a new era in the area. Honda will employ about 1,600 eventually.

White overalls are the uniform at Honda, where the workers are "associates" rather than employees. Mr Andrew Jones, a senior manager, is confident that the Japanese management approach at the plant will give Honda the edge over other employers. Honda is not looking for previous motor skills; it has turned farm workers and supermarket staff into assembly workers and managers.

The company is seen as an addition to Swindon rather than a company filling a gap. The arrival of Nissan to the outskirts of Sunderland had a much greater psychological impact on the damaged north-east. Nissan has the same flexible skills philosophy, but the management style borrows more from West Germany than Japan. The philosophy is *Kaizen* – continuous improvement; blue overalls are the uniform for all.

Nissan employs 2,500, slightly more than were made redundant in the shipyards, and will go to 3,500 by early 1993. Mr David Armstrong, who runs the employment centre set up by British Shipbuilders, says, however: "Nissan has not been our salvation. It is about different people and different jobs."

Mr Philip Ashmore, Nissan personnel manager, says: "The shipyards were geared to specific skills. We turn out multi-skilled technicians." The company has about 100 technicians apprenticed for four years.

It is very different from the hierarchical, unionised shipyards. Only 30 per cent of the workforce belong to the Amalgamated Engineering Union, the sole union with which Nissan has an agreement.

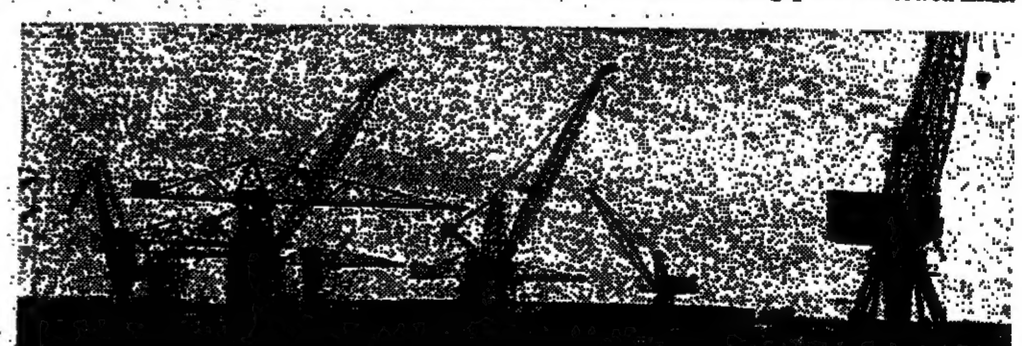
Sunderland is an industrial town. It has not tried to attract the service and high-tech companies from the south. It is bidding to be "the advanced manufacturing centre of the north."

New factory units and workshops are springing up alongside the River Wear – financed by Whitehall, waiting to be re-financed by private investment in the enterprise zone.

For the moment, however, Sunderland still feels as if it lacks the core industry that will provide its lifeblood. The craft skills learned in the shipyards are waning.

Over 1,200 people have found work, but not all in Sunderland. Sizewell in Suffolk and Sellafield in Cumbria have been some of the beneficiaries of the demise of shipbuilding.

Sunderland has people, but not enough jobs. Swindon has jobs, but not enough people. The experiences of these two towns suggest that the north-south gap has narrowed little.



Sunderland: a wasteland of cranes left by the loss of shipbuilding

Fraud inquiry on Queen's University repairs cash

QUEEN'S University in Belfast is at the centre of a fraud investigation. A report from a police inquiry into allegations of misappropriation of funds in the buildings department has been sent to the Director of Public Prosecutions in Northern Ireland.

Administrative staff were questioned and the university confirmed last week that a member had left after being suspended. It is understood that he held a middle-rank position.

Fraud squad officers were called in after it was discovered that repair work on university buildings, contracted to a company, was carried out instead on private property.

Some contractors allegedly agreed to carry out private work for university staff in return for guarantees that they would get regular work from the university.

A decision whether to prefer charges is expected soon. The police report was handed over to the DPP two months ago.

The police began the investigation after a spot check 18 months ago into repair work being carried out on university property.

An official said at the weekend: "A member of staff was suspended in 1988 pending the outcome of an internal inquiry in the buildings office. Police have been making extensive inquiries . . . and the matter is now in the hands of the DPP".

EC farm policy 'destroying the countryside'

THE COUNTRYSIDE is being destroyed by European Community policies that encourage farmers to remove hedges, overgraze moorland, drain wetlands and spray pesticides to increase production, the Council for the Protection of Rural England says in a study.

It describes the EC's Common Agricultural Policy as an "engine of destruction still firmly in gear."

It says the reduction in food surpluses in the past few years has given the impression that production had been curbed. However, there is still "an unacceptable level of damage to the environment by agriculture." More than 90 per cent of farm spending in Britain "is still potentially damaging."

Bar says retrial should be a right if new facts arise

By Robert Rice, Legal Correspondent

THE BAR Council, the barristers' governing body, has called for the introduction of a statutory right to allow new evidence to be put before a jury in cases where there has been a possible miscarriage of justice.

In its submission to the inquiry by Sir John May into the Guildford and Woolwich pub bombings cases, the Bar says the Court of Appeal is too cautious in ordering retrials in cases where fresh evidence has been produced.

At present, the Court of Appeal looks at the evidence itself and does not consider the effect it might have had on the jury at the original trial. The Bar says that must change.

"The Court of Appeal should not usurp the position of a jury. It should ask itself whether the evidence is new, relevant and capable of making a difference to the reasoning of a jury. If this low threshold is passed, the appellant should have the right to a retrial," it says.

The Bar wants the court to retain its general discretion to quash a conviction. It recommends that the Home Secretary should refer cases to the court where there are grounds for believing a verdict is unsafe or unsatisfactory. At present, the Home Secretary will make a referral only when there is fresh evidence that casts doubt on the original verdict. That cannot be a proper exercise of his discretion, it says, because it amounts to a refusal to refer any case where there is no fresh evidence.

The Bar's other recommendations include: petitions to the Home Secretary to be investigated by a lawyer, rather than a civil servant; confessions in serious cases to be verified in their material details; a duty on the police to disclose all material in a case to the Crown Prosecution Service; and suspects detained under the Prevention of Terrorism Act to have the same rights as those suspected of other crimes.

The Guildford Four had their convictions for the 1974 bombings quashed by the court of appeal last October after it emerged that investigating police officers had materially altered evidence against them.

The Bar's submission coincides with renewed public concern over the convictions of the six men serving life sentences for the 1974 Birmingham pub bombings.

Their cases were re-examined by the Court of Appeal in 1987. Last week, Mr David Waddington, the Home Secretary, ordered a fresh police inquiry into certain aspects of their case.

Shoe shops still too numerous, report says

By Maggie Urry

THERE are still too many footwear outlets in the UK in spite of a number of shop closures in the past two years, says Verdict Research, the retail consultancy group. The industry "has a reputation for archaic practices and limited innovation," the report says.

The footwear market was worth £3.5bn in 1989 but in real terms has not grown for three years, the report says. At the same time the costs of operating shops has been rising sharply, squeezing profits.

British Shoe Corporation, owned by Sears, has recently rationalised its shops further and adopted a new marketing strategy. Verdict says BSC's market share has fallen by 1.7 percentage points over the last year to 20.7 per cent of the market.

Verdict says it is not easy to succeed in the footwear sector, partly because high stock levels and a more intensive level of service are needed. However, it is an area where small specialists can beat the larger groups.

Verdict on Footwear Retailers. Verdict Research, 112 High Holborn, London WC1V 6JS. £495.

Quest for perestroika in urban planning

Jimmy Burns joins a Soviet professor in search of ideas from a whistle-stop tour of British buildings

PROFESSOR Yuri Bocharov was looking somewhat awestruck after a night on the town.

The professor, who is President of the Soviet Society of Urbanists, Research Director of the Central Research and Design Institute for Town Planning, and Secretary of the Board of the USSR Union of Architects, is in the UK to study urban living and home ownership.

"The professor spends hours, day and night, just wandering round British cities looking at buildings," Prof Bocharov's interpreter confessed yesterday. The two had just boarded the 9.52pm train from Euston to Milton Keynes, the latest destination of Prof Bocharov's unpublicised whistle-stop tour of Britain.

Prof Bocharov, who says he has been involved in the design and building of two new towns, is here officially to learn about how the concepts of home ownership and what he sees as inspired urban planning can be applied in the Soviet Union of glasnost and perestroika. His 17-day tour of the UK is due to end next week.

In an article published recently in a learned Soviet academic journal, Prof Bocharov lashed out at the mistakes of the Soviet system he helped to create.

"Hundreds of featureless, standard towns devoid of a national individuality were built.

"It was a period of flourishing functionalism which was closed off to ascetism," he wrote in the article, entitled The Metamorphosis of Architect-Developer Relationship in the Soviet Union (1918-1988).

Yet some of the lessons Prof Bocharov appears to be drawing from his British experience appear to be idiosyncratic.

In an interview over a cup of British Rail tea, Prof Bocharov waxed lyrical about everything from a London office development to the urban landscape of West Belfast – where last week he was taken on a tour of 20ft walls and steel fencing.

Prince Charles, he said, was an "expert of architecture," but was wrong about Paternoster Square, the London office development. Prince Charles described it as an architectural carbuncle.

In Prof Bocharov's opinion, the sprawling development obscuring St Paul's was an example of the "inventiveness" of British architects.

As for Northern Ireland, "In Belfast I have seen our future. We have to plan accordingly, think ahead," the professor declared, as we swept past Watford Junction.

With the aid of an incomprehensible map of arrows, circles and dots, Prof Bocharov tried to explain the complex break-up of the Soviet empire into religious and ethnic-based nationalities and its traumatic effect on the architect-developer relationship.

"We should find a better solution than building walls between ethnic communities ... in the Soviet Union it would not be practical because there are lots of different nationalities living in high-rise blocks," he said.

"You have to resettle people, build special houses for particular ethnic groups ... separate communities not with walls but with houses."

Once in Milton Keynes, Prof Bocharov stood gazing for several minutes at a large construction of blue glass. Commenting on President Gorbachev's chances of survival, the Professor mused: "The situation is extremely dangerous ... but don't publish whether I'm still a communist or not."

Stopover: Prof Bocharov at Milton Keynes looking for an antidote to Soviet "featureless, standard towns"

Retail venture group to open second fund

By Maggie Urry

PIPER TRUST, a venture capital and retail consultancy group, is to launch its second fund to invest in new or developing retail and leisure companies.

The fund's managers admit that retailing may not seem the most attractive area in which to set up business at the moment, and say the fund is at "the top end of the risk scale." However, Mr Crispin Tweddell, who heads Piper Trust, believes there will be scope for new businesses in the 1990s.

Piper's first fund, called the Piper Retail Fund, opened nearly two years ago. It is now nearing full commitment with its initial funds of £7m. About a third has been invested in six companies, with further funds earmarked for them, and another three or four investments are close to being made.

Investors in the fund include leading insurance companies and pension funds. Similar backers are to be approached for money for the second fund.

The second fund is planned to raise and invest £20m, but with about the same number of investments, adjusting the scale of each one more closely with the work that Piper puts into them.

Of the first six investments made by the original fund, two were start-ups, two were companies in the early stages of development, and two were established businesses. All six are still active, although one will probably not receive any further funding from Piper.

Mr Christopher Curry, Piper's fund manager, says the group is unusual, if not unique, in the way it approaches its investments. Piper takes a more active role than most venture capitalists, taking equity stakes, which vary between 20 and 30 per cent, and insisting on a board seat.

Biotechnology perceived as a risky investment

By Peter Marsh

UNHAPPINESS in the financial community about the degree of risks and profits in the science of biotechnology is disclosed in a survey that probes the attitudes of UK investment groups to the discipline.

Of the 61 financial organisations that took part in the survey, 46 per cent said they found investing in biotechnology "very risky." Just under half said they had made profits from the business.

The survey was conducted by Mr Pierre Forster, a student at Middlesex Polytechnic in London who is studying for a degree in European Business Administration.

The poll showed that some specialist biotechnology venture-capital groups were happy with their financial returns and also with the general outlook in this field. But a larger number of more broadly based financial institutions had been disenchanted with their involvement with the technology.

Biotechnology is based on manipulation of genetic fragments. Since the techniques were discovered in the late 1970s, progress in bringing the ideas to the product stage has been slower than expected. Only about 1 per cent of the $140bn (£87.5bn) worth of pharmaceuticals sold each year is derived from biotech methods.

According to the survey, many financial groups are far from convinced that small, venture-capital-backed biotechnology companies can compete in the technology with large, established medicines and chemicals companies. Many of the latter have put considerable resources into research in the field over the past decade.

Nearly 30 per cent of the institutions in the survey said they agreed with the statement that biotechnology was best left to the multinational chemical and drug companies.

Glasgow University seeks £50m in private funding

By John Authers

GLASGOW University has launched an appeal for private funds aimed at raising £50m over the next five years.

The university is seeking money from graduates as well as from commerce, and has organised fund-raising bodies in Japan and the US. So far this year, £4.25m has been raised, including a grant of £450,000 to the urban studies department from the Ian Mactaggart Trust.

Sir William Fraser, principal of the university, said the money would be spent on new buildings and on investigating new fields of study. "We need to set aside more of our income to maintain and improve the fabric of the university," Sir William said. Appeal funds were not intended as an alternative to government grants, but as an addition.

Sir Alexander Cairncross, chancellor of the university, said: "The Government has decided that universities should have fewer decisions taken for them by the Government. This means less money flowing in from the Exchequer. It can mean new autonomy."

This is one of the most ambitious appeals yet announced by a British university. Oxford started its appeal for £200m in 1988, amid significant protest from students, and Edinburgh has appealed successfully to its graduates. Glasgow also cited the universities of St Andrews and Bangor for carrying out successful fund-raising schemes.

The National Union of Students said: "We understand at times why colleges do it, but we do not think this is the answer. We would want long-term action from government funding."

LEGAL COLUMN

Salutary lessons from the Fayed affair

By Robert Rice, Legal Correspondent

THE CRITICISM of solicitors Herbert Smith, made in the Department of Trade and Industry inspectors' report on the House of Fraser takeover, was sufficiently serious for the Trade and Industry Secretary to send a copy to the Law Society for it to consider whether any action should be taken against the firm over its role as legal advisers to the Fayed brothers.

It is clear even at this stage, however, that the society will conclude that, on a strict interpretation of the solicitors' rules on professional conduct, Herbert Smith has no case to answer.

Indeed, the firm in its evidence to the DTI inspectors gave a very clear account of a solicitor's duty both to the client and to third parties which will have established beyond reasonable doubt its innocence of any charge of professional misconduct.

None the less, such a narrow view of things ignores the wider issues about the role of professional advisers raised by the affair.

In particular, ought solicitors to owe a wider duty to the public to take reasonable steps to ensure that assertions made by their clients are based on fact before advancing them on their behalf?

Should there, for example, be a clearly defined distinction between their role as advocates and their role as loyal, committed supporters ready to vouch for their client's cause?

Further, once it has become apparent that solicitors have been misled by a client, is it ethically and morally right for them to continue to act for that client?

It could be argued that, in the context of takeovers and mergers at least, such issues are of purely academic interest – or will be from April 1 when section 151 of the 1989 Companies Act comes into force.

Section 151 makes it a criminal offence knowingly or recklessly to furnish false or materially misleading information to the UK anti-trust authorities.

In future, verification of information given to the Monopolies and Mergers Commission, the Office of Fair Trading or the DTI in such cases will have to be very carefully carried out.

The criticism of Herbert Smith is by now well known. Broadly, the firm's role in relation to the Fayeds' bid for House of Fraser was on the fringes.

On March 11 1985, however, Mr Edward Walker-Arnott and Mr Richard Fleck accompanied the Fayeds, together with a team from Kleinworts, to a meeting at the OFT, during the course of which Mr Walker-Arnott acted as the principal advocate for his clients, making a number of forceful points on their

Once solicitors have been misled, is it ethically and morally right for them to continue to act?

behalf that were central to their credibility and therefore to the issue of whether their bid for House of Fraser should be referred to the commission.

After the meeting, the advisers were asked by the OFT if they would confirm in writing the assurances they had given about the Fayeds. In a covering letter sent the same day to the OFT with a submission on behalf of the Fayeds, Mr Fleck responded.

He wrote: "Within the limits imposed by the time scale involved (which has necessarily prevented us from obtaining independent confirmation of the instructions that we have received from the Al-Fayed brothers), we are satisfied as to the correctness of the contents of the enclosed submission."

The letter continued: ". . . both Edward Walker-Arnott and I confirmed [during the course of the OFT meeting] that we were and are entirely satisfied both as to the completeness and as to the accuracy of the instructions given to us by the Al-Fayed brothers . . ."

In fact, the DTI inspectors were later to make a finding that the submission that accompanied the Herbert Smith letter included matters that were "untrue, incorrect, seriously exaggerated or otherwise misleading."

They also declared themselves satisfied on the evidence of OFT officials that, in spite of the caveats in the letter about the limits imposed by time scale and the absence of independent confirmation, and a verbal caveat by Mr Walker-Arnott during the OFT meeting that he would express only an opinion based on his professional experience, the regulatory authorities did derive comfort from the support that Herbert Smith appeared to be giving to its clients. The authorities placed some weight on that support when reaching their decision on whether to recommend referral to the MMC.

In spite of what the firm said later, anyone reading Mr Fleck's letter would have gained the impression that "the firm was in a certain sense vouching for the accuracy of what its clients had said," the report says.

The inspectors conclude that part of the *issue is that* in the City great reliance is placed by one adviser on the presence of another as a source of reassurance about a client. "We are of the opinion that in this case it led each adviser in turn to inquire less than they might otherwise have done."

The question that arises from that, however, is whether the practice is good enough in order to protect the public interest in future, or whether a change of rule is required.

On the face of it, while accepting that in purely professional terms solicitors are not required to check into the bona fides of their clients, it seems a little hard to accept that a firm that makes its living within the financial and commercial world could not, even within such a strict timetable, have put out feelers to pick up on the doubts that were being raised in some quarters about the Fayeds – sufficient at least to set the alarm bells ringing.

That would have changed the whole course of events, because while they are under no duty to third parties to check on the veracity of a client's assertions before they put them forward, solicitors are under a clear duty not to put them forward if they know or have reason to believe they are not true.

There were several journalists who seemed to have little difficulty at the time in making sufficient inqui-

In the City, reliance is placed by one adviser on another's presence as a source of reassurance

ries to raise some serious questions about the Fayeds – as Herbert Smith knows only too well, having been instructed by Mr Mohamed Fayed, as the *inspectors put it, "to take legal* action against any who sought to challenge his claim that he and his brothers beneficially owned the money with which they bought HOF."

It was not as though the firm had just come across the Fayeds, either. Mr Fleck told the inspectors that by March 1985, the firm had "a fair amount of experience with the Fayeds" and was of the opinion that "it did know its clients."

This is not the first time Herbert Smith has found its representation of a client being relied on by officials as vouching for the accuracy of what that client is saying.

Sir Godfray Le Quesne, QC, in his report for the Trade and Industry Secretary into the Barlow Clowes affair, noted that in forwarding to Herbert Smith in October 1985 principal and representative licences for Barlow Clowes and Partners to deal in securities, the DTI wrote to the firm that "the decision to grant these licences . . . has been heavily influenced by the assurances received from and through yourselves."

Herbert Smith's answer to that was much the same as in House of Fraser. The firm told Sir Godfray that the assurances it gave were given on the instructions of its clients and no assurances were given by the firm itself.

Should lawyers be under a wider duty to act in the public interest by checking into the accuracy of what they are being asked to put forward by a client?

The Law Society's view is no. It is not the solicitor's job to satisfy himself that what his client is saying is true, it says. Provided he is not asserting things he knows or has reason to believe are untrue, then his job is to put his client's case as instructed. Solicitors act as a mouthpiece and no more. Regulators should understand that, the society says. Most courts certainly do.

Should a firm continue to represent a *client once it knows that it has been* misled?

The society's view is that that is very much up to the firm, but that a solicitor cannot be obliged to stop representing a client in such circumstances.

Somebody has to continue to represent them, it says. Everyone has the right to legal representation, however unpopular their cause.

You cannot have a situation where a client is shunned by the whole legal profession just because they have been economical with the truth in the past.

The final word on all this should go to Herbert Smith. The firm, however, declines to comment.

APPOINTMENTS

Thorn EMI deputy chairman

■ THORN EMI has appointed Sir Peter Walters as deputy chairman. He recently retired as chairman of British Petroleum, and joined Thorn EMI as a non-executive director last October. Sir Peter is chairman-elect of Blue Circle Industries, and is chairman of the Institute of Directors. Mr James Fifield has been appointed an executive director of Thorn EMI. He is president and chief executive officer of EMI Music Worldwide, and is based in New York.

■ Mr Donald E. Petersen, who recently retired as chairman and chief executive of Ford Motor Co, and Professor Romano Prodi, who holds the chair of economy and industrial policy at Bologna University, will be appointed advisory directors of UNILEVER on April 1 and May 2 respectively. Lord Hunt of Tanworth retires as an advisory director on May 2.

SPONG HOLDINGS has *appointed Mr Philip Luckett (above)* as managing director of its home consumer products division. He joins from Prestige where he was managing director.

■ FIDELITY INVESTMENTS has appointed Mr Geoffrey Mansfield as regional managing director in Asia. He was a director of Merrill Lynch in Hong Kong.

■ Mr R.H.A. Wain has been appointed chairman of FERROMET GROUP, in place of Mr W.G. Fossick who has resigned. Both are directors of British Empire Securities and General Trust, which holds 5.87 percent of the issued capital.

■ MCDONNELL DOUGLAS BANK, Croydon, has appointed Mr Keith Pordum as director - commercial lending. He was with Lloyds Bank Group

■ Mr George Spyrou has been appointed sales and marketing director of AIRSHIP INDUSTRIES (UK), Cardington. He has been with the group since 1981, and remains a director and executive vice president of Airship Industries (USA).

■ Mr David Neil-Gallacher has been appointed director, corporate communications, of ALFRED MCALPINE. He was head of corporate relations, George Wimpey.

■ Mr Brian Neale has been appointed finance director of PSA PROJECTS, an operating division of PSA Services.

■ CLEMENTS & STREET, Bromsgrove, has appointed Mr Brian Chapman as managing director, exhibitions. He was marketing director of the Stanco Exhibition Group.

■ Mr Francisco Navarro has succeeded Mr Francisco Roche as managing director of BANCO HISPANO AMERICANO, London. Mr Roche has returned to head office in Madrid.

■ RKF GROUP has appointed Mr Joe Larter to the new post of group chief executive. He was chairman of Pleasureworld, which the group acquired last May. Mr John Bayman, executive deputy chairman, retires through ill-health, but continues as a non-executive director.

■ MACARTHY has appointed Mr Rod Riley as director of legal affairs. He remains company secretary.

■ Mr Peter Spriddell has been appointed a non-executive director of QUILIGOTTI.

■ CHRISTOPHER WRAY LIGHTING has appointed Mr Richard Archer-Perkins as its first chief executive.

■ Mr N.M. Berwin, Mrs P.A. Flannery, Mr C.J.N. de Joncaire Narten, Mr P.T. Tucker, Mr M.H. Wilson and Mr J.M. Yallop have been appointed to the board of MORGAN GRENFELL & CO from April 1.

■ Mr Keith F. Plant has been appointed chairman of the TIOXIDE GROUP from April 1. He will retain his current post of chief executive, and succeeds Mr Ian G. Butler who retires on March 31.

Mr John T. Whelan *(above)*, general works manager, has been appointed director of operations at DUNLOP aviation division in Coventry, succeeding Mr Malcolm Longley who moves to another post in the BTR Group.

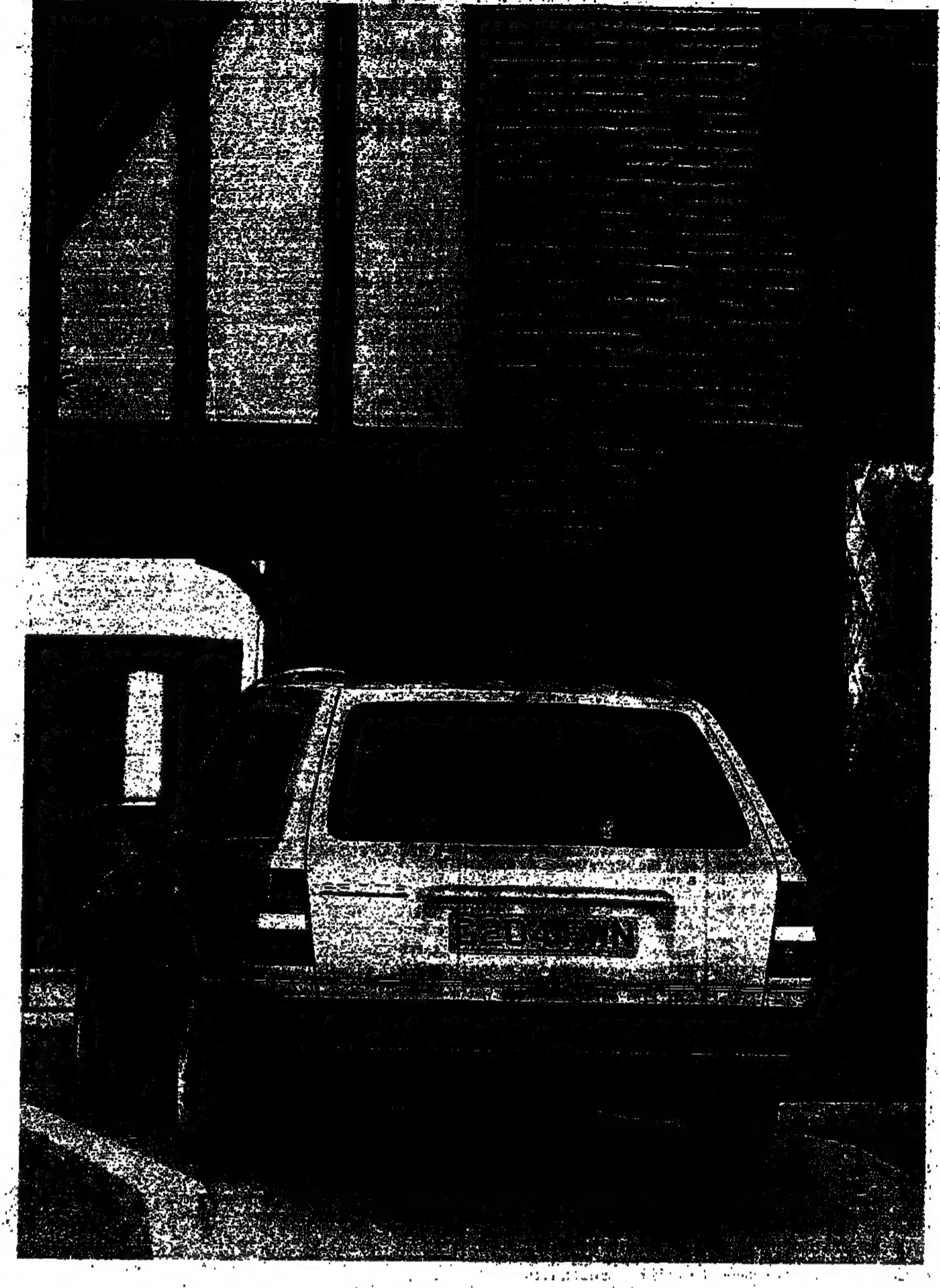
CONTRACTS & TENDERS

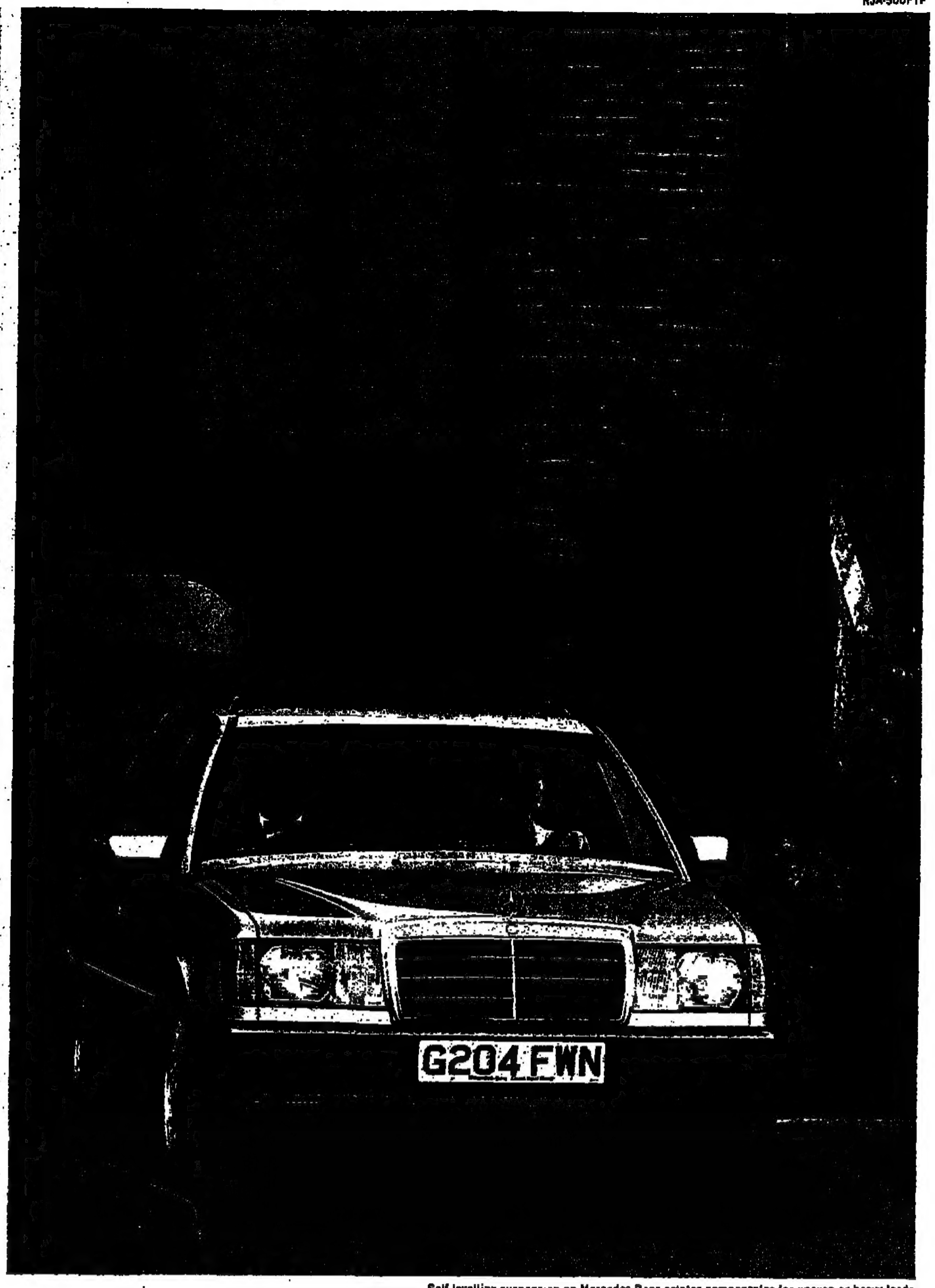
PUBLIC NOTICE

RENTALS

LEGAL NOTICE

RJA-500FTF





Self levelling suspension on Mercedes-Benz estates compensates for uneven or heavy loads.

School tie or black tie?

If the Mercedes-Benz 230TE estate is fitted with an optional, fold-away, third row of seats, it will hold seven people. All securely belted in place. Perfect for ferrying your children and their friends to and from school.

Which adds practicality to other compelling reasons for buying a Mercedes-Benz estate: the versatility, the technological sophistication, the ruggedness, the safety.

The downright commonsense arguments in favour of the whole idea.

A Saloon In Estate Clothing

Then, with the chores of the day behind you, the 230TE is equally convincing as an evening limousine.

Like every Mercedes-Benz, the six estates in the 230TE-300TE series (five petrol and one diesel) are extraordinary amalgams of logical design, masterly engineering and aesthetic purity.

But in no Mercedes-Benz is the first of these qualities more triumphantly displayed than in the estates.

Start with the tailgate. It opens high and wide, offering unrestricted access to an uncluttered interior. Heavy objects need be lifted no higher than bumper level.

And there's no need to slam the tailgate shut; simply lower it and turn the key. The door seals itself with an electro-mechanical sigh.

Six Seating Arrangements

Inside, two covered compartments are recessed into the floor. The 230TE can be a seven-person people carrier or, at the other extreme, a commodious transporter that allows only the driver's seat to intrude on the load space.

In all, there are six seating/load configurations and objects up to 9.5 feet in length (ladders? timber? fishing rods?) can be accommodated. And there's a roof rack.

You'll be impressed by the self-levelling version of the Mercedes-Benz multi-link rear suspension, too. (And you can add tauter Sportline suspension and even more supportive Sportline front seating if you wish.)

You'll also be impressed by the smoothness of the 230TE's 2.3-litre, 136bhp, four-cylinder engine, a powerplant with more than enough gusto to cope with your biggest load.

And, in the evening, more than enough refinement to waft you to Glyndebourne in an atmosphere of anticipatory silence. (And think of the hamper you'll be able to carry.)

WORLD SPORTS CAR — CHAMPIONS 1989 —

Engineered Like No Other Car In The World

UK NEWS

Competition rule for power privatisation 'breached'

By David Thomas, Resources Editor, in London

THE BRITISH Government has been warned that one of the main limits to competition built into the liberalised UK electricity market has been breached a week before the market is due to come into operation.

The warning is likely to embarrass the Government because it will be seen as confirming fears that ministers have failed to make the new electricity regime sufficiently competitive.

The regime is due to begin operating on Saturday, the industry's "vesting day," when the companies heading for privatisation come into formal existence.

National Power, one of the two generators in England and Wales to be sold, has in the past month won contracts to supply more than 7 per cent of the total electricity demand in the region serviced by Manweb, the area electricity company which covers Merseyside, Cheshire and north Wales.

The regulations governing the liberalised electricity market stipulate that neither National Power nor PowerGen must sign supply contracts for more than 7 per cent of demand in an area without the consent of Professor Stephen Littlechild, director general of the Office of Electricity Regulation (Offer), the industry regulator.

In addition, National and PowerGen must not jointly capture more than 15 per cent of an area company's supply.

These limits on competition, intended to protect the markets of the area supply companies, are designed to last until 1994. However, the limits have been widely criticised for being too restrictive and for featherbedding the area supply companies.

National Power, which has been more aggressive than PowerGen in signing supply contracts in the run up to vesting day, reached the 7 per cent limit by winning the business of a handful of Manweb's very large industrial customers.

Some other large industrial users of electricity in the north-west and north Wales are angry that they could face a restricted choice of electricity suppliers for the next four years.

The Department of Energy, the architect of the new structure, *said it had no responsibility* for the problem. It was a matter for Prof Littlechild.

However, the Office of Electricity Regulation, which does not assume its full powers until vesting day, was also unable to say how it would resolve the matter.

● The Government is planning to confirm today that the old headquarters of the Central Electricity Generating Board and Bankside power station, two sites in central London with development potential, will remain in the public sector as properties of Nuclear Electric.

Komatsu concedes two hour reduction in working week

By Michael Smith, Labour Correspondent

KOMATSU, the construction machinery company, has become the first Japanese company to concede a two-hour reduction in the working week for UK employees since British unions launched a national strikes campaign for shorter hours last October.

The commitment to introduce the cut by 1992 is part of a deal which increases the pay of about 420 employees in Newcastle-Upon-Tyne by 9 per cent.

Komatsu's hours concession is a considerable achievement for the AEU engineering union which negotiated it. It is likely to influence other Japanese companies with UK operations – there are 36 in the north-east of England alone.

Japanese groups are potentially among the most difficult employers to convince that working hours can be reduced at no cost.

Nearly all have already introduced the kind of working practices which UK employers are seeking in exchange for hours cuts.

Many of them plan progressively reducing their production costs as a matter of course. Komatsu looks for a reduction of at least 5 per cent a year.

The company believes the hours cuts can be self-financing. It says savings can come from accelerating improvements in production techniques. One option is introducing a nine-day fortnight when the two-hour reduction is in place.

The agreement, revealed in a forthcoming report by Incomes Data Services, will mean a half-hour reduction from July 1. The detail and timetabling of the *other hour-and-a-half* will be jointly agreed between Komatsu, the AEU and elected workforce representatives through the company advisory council.

For most of the employees, the hours cuts, when fully implemented, will mean a 37-hour week. However, for about 180 workers who now work a basic 37-and-a-half – hours on shifts, the week will fall to 35-and-a-half hours.

Komatsu is one of less than 100 companies to have conceded hours cuts since the strikes campaign began. The rate of change is increasing, however.

The company said the 9 per cent pay settlement was prompted in part by recruitment and retention considerations. "We are beginning to suffer skills shortages, particularly in design engineers."

The deal, effective from the beginning of this month, increases the basic starting pay for most employees from £9,147 a year to £10,070. Supervisors' salaries will rise from £12,274 to £13,379.

The agreement also allows for a one day increase in the 25 day a year holiday entitlement.

Campaign for right to halt work over safety

By Diane Summers, Labour Staff

THE GMB general union today launched a campaign for a change in the law to allow union officials the right to bring work to a halt where they consider there is a risk of serious injury.

The union wants to see the legal position changed so that a walkout ordered by accredited union safety officers would not be seen under employment law as "wildcat" action.

Failing a change in the law, the GMB is trying to get agreements between employers and unions at local level and claims that a "stop-the-job" clause has been agreed by one West Midlands company.

The union's 850,000 members will also be encouraged to write to their MPs on the issue.

Mr John Edmonds, general secretary, said that the demand would only inconvenience negligent employers.

He said: "The only way to get management to act is to give their employees extra legal powers.

"In countries where these powers exist they do not have to be used very often. In Sweden there are over 117,000 safety representatives – they stop the job as few as 64 times a year."

According to the GMB, figures showed that every week 10 people were killed in accidents at work; 3,600 were injured, 650 of them seriously; and 500 were harmed by exposure to dangerous substances.

It also says seven out of eight accidents could have been prevented, while the number of factory inspectors had been cut by more than 250 in the last decade.

The Health and Safety Executive said yesterday that it was difficult to tell where the issue stopped being safety law and became an employment issue – and therefore outside the executive's remit.

Walkouts should not be necessary where workplace safety committees were functioning properly though, with declining union membership, fewer workers were getting access to safety committees, it said.

MANAGEMENT: Re-shaping BP

Re-appraising the power base of regional barons

Christopher Lorenz continues his series by examining how the oil giant is trying to find a new balance in its international activities

"IT USED to be infuriating to deal with BP Germany," says Ray Knowland. "The head of Deutsche BP treated the chairman of the whole of BP as an equal, and the heads of the group's international businesses as his juniors."

With BP's carefully engineered shift in power away from national barons towards international "business streams" (divisions) over the past nine years, "that's virtually all changed," says Knowland. *With one major exception.*

"There's still a powerful barony in the United States," he declares. "It's a much bigger problem than Germany ever was. The first test of Project 1990 is whether BP America is faced up to or not. I will be very surprised if it's not dealt with fairly and squarely. If you sort out Cleveland, the rest will follow; you'll be biting the bullet about duplicated planners and a lot of other things."

It is November 1989, and Knowland, the then chief executive of BP Chemicals, is discussing his view of the objectives and progress of Project 1990 – BP's nine-month preparation for corporate simplification and restyling which is the subject of this series.

In particular, Knowland is proffering his view of why relations between his business stream and BP America are being described as "poisonous" by some insiders, and as either "difficult" or "strained" by everyone else. (Knowland has since moved into a new post as managing director for corporate affairs.)

As has become evident from last Monday's announcement of radical changes in the way the BP group will operate in future, Knowland – along with hundreds of other managers in BP – has got his way, to a large extent, at least.

In the official language of last week's press release, the regional dimension of BP's previous structure has been "redefined". What that actually means in America, as the company's managers have been told in no uncertain terms, is this: BP's imposing tower block in the centre of Cleveland, which, until three years ago, was the proud head office of Standard Oil (Sohio), acquired by BP in mid-1987, has now been deprived of its previous responsibilities for the operations of BP's various businesses within the US.

Instead, the US business chiefs who are based at Cleveland now report on operational matters direct to their respective international business heads in Europe. The chief executive of BP America *remains* the group's most senior person in the United States, but his role has been shifted clearly to strategic and representational questions.

Until now his powers, and those of his staff, overlapped with those of the international headquarters of the various businesses – to the confusion and annoyance of everyone concerned.

Along with a lot of other welcome simplification, says John McDonald, ex-Sohio and now executive vice-president of BP Oil in America, last week's changes mean that "managers will now no longer be faced with a duplicated approvals procedure for capital projects – through BP America as well as up the international business hierarchy."

One result of the moves is that the 250 corporate jobs which still exist in Cleveland will be cut by 50 before the end of this year, initially by the removal of the planning and control departments, and then by a shift of human resources jobs from head office to the businesses.

The changes to the regional dimension of BP's worldwide structure also involve the stripping-back of a raft of regional co-ordinators in London. For the US, they have already been removed. For most other parts of the world they are being replaced by much smaller units which will provide support to the regional business heads.

The co-ordinators previously formed a head office layer which was a large element in the bureaucracy and "second-guessing" which has bedevilled BP in recent years – although they played a vital part in the professionalisation of the group in the early 1980s (see earlier articles in this series).

In one sense, the downgrading of Cleveland's head office role is merely the final stage in BP's integration of Sohio following the 1987 acquisition. The emotions generated by the downgrading partly explain why the decision was so hard-fought behind the scenes last autumn, although many Americans in Cleveland have since expressed their relief that the issue has at least been settled clearly one way or the other.

Many Americans would have preferred the chief executive of BP America to have been given clear operational authority over the businesses operating in "his" territory, but "they'd rather have one master than two," says Michael Press, an ex-Sohio man who is now senior vice-president for petroleum products and refining for BP Oil in Cleveland.

The change in Cleveland's responsibilities is also part of a much broader settlement of a problem which, in the words of a secret Project 1990 document sent to top management last December, BP has "never been able to solve satisfactorily": the integration of the regional dimension into a corporation run largely on business (divisional) lines.

> **BP's imposing tower block in the centre of Cleveland, once the proud head office of Standard Oil, has been deprived of its former responsibilities for the operations of BP's various businesses within the US**

This same dilemma has faced countless other multinationals over the past decade. "Regional-business relationships are probably the most difficult problem for any global company," says Robert Horton, BP's new chairman.

As part of most multinationals' quest for simpler organisation structures, for faster decision-making, and for altogether greater global effectiveness, they have engineered a sharp shift of power within their geographic-divisional matrix structures towards their divisions; notable examples include GE of America and Philips, the Dutch electronics multinational.

One of the few exceptions is BP's arch rival Shell, which has left very considerable operating power in the hands of its national and regional bosses.

Like BP under Horton, many multinationals have now virtually banned the use of the word "matrix", because the rigid formality with which matrices have usually been associated has turned the term into a pejorative which actually sparks internal tension and argument.

Steve Ahearne, BP's former corporate planning manager – and from this month chief financial officer – attacks the whole concept of "managing a matrix" as a "power" term, which has caused BP's individual businesses "to see their relations with the centre as a power struggle."

James Ross, the (British) chief executive of BP America, agrees: "One of the mistakes BP has made in the past is that we've been much too explicit about our agonised matrix," he says.

Yet if multinationals are to avoid a loss of responsiveness to differing market and political conditions in various geographic markets around the world, they actually have no choice but to continue to take decisions on a multi-dimensional (matrixed) basis, even if the power balance within that matrix is different from before. "Some people in BP say 'why have two people making a decision when one person could do so?'," Ross adds. "But life's not that simple."

Recognising this, Robert Horton has avoided copying the over-centralised international structures of some of BP's US competitors. He has gone out of his way to give the chief executive of BP America strategic powers – as what Horton calls his US "alter ego" – which are arguably stronger than before.

Cleveland not only retains the power to represent the corporation in Washington and to co-ordinate the various businesses in emergencies such as last month's California oil spill, but also retains an umbrella role over the pay and incentive packages offered by the businesses.

To some extent the same will eventually apply to BP's newly-created Director, Europe, who is taking up residence in Brussels with a small support team (removed from London) to start the task of pulling together a cross-business approach to European strategic and political issues. Something similar, again, will go for the top executive who will probably soon set up shop in Tokyo as director of a new Pacific region – where BP needs to move especially fast if it is to build a strong asset base.

The question of how, in the US, the new relationships will all work in practice was thrashed out in principle at a meeting in January between James Ross and the heads of key businesses – both from UK international headquarters and from their US offshoots.

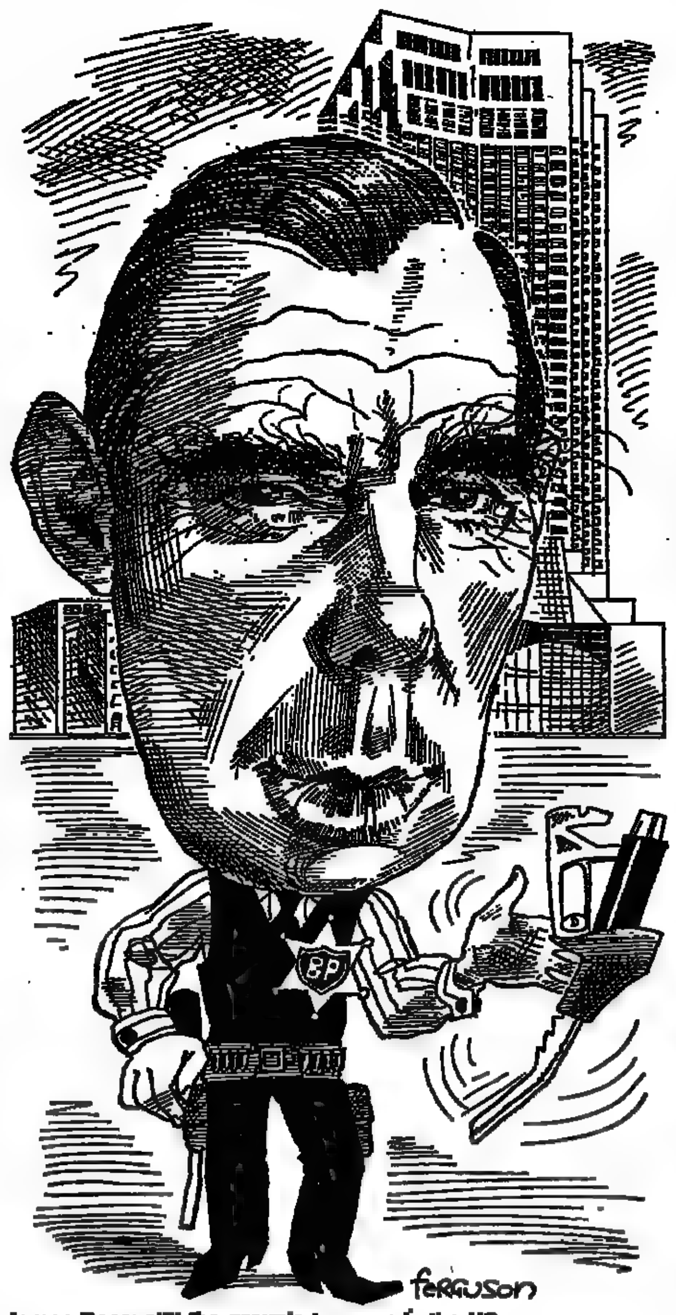
On personnel issues, for example – such as remuneration, severance terms, and management development – it was agreed that the businesses would in future propose their own packages, and that BP America's role would be confined to ensuring that decisions taken by one business do not undermine another.

The meeting was considered a success by all the participants, although one of them, John McDonald of BP Oil in the US, says in retrospect that "I still have some trouble seeing the American chief executive's position as quite powerful enough to carry out his role."

Will James Ross be able to ensure, for instance, that BP only uses tankers with double bottoms and sides? Will he be able, as McDonald puts it, "to referee" issues between different businesses as well as he used to?

Ross himself is more optimistic. As he sees it, one of his main challenges under the new system will be to sort out such conflicts himself, "rather than delegating them downwards as we used to."

And Horton himself has no doubt whatever about Ross's power base in his new role as the chairman's "alter ego." He says the issue of double-bottomed tankers – as well as such matters as tanker-loading facilities in Valdez and other ports – "is something that the BP America chief executive should lead on, since it transcends one business stream."



James Ross: still the group's top man in the US

However simply their new role as Horton's "alter egos" in their territories may be expressed on paper, BP's regional heads will in practice find it a difficult exercise in corporate and personal subtlety.

Horton considers "that a lot can be done by getting personal relationships right." The question (to be examined on Friday in the conclusion to this series) is whether BP can generate the culture changes needed to allow such complex power-sharing to operate harmoniously.

Relations between the regions on the one hand and businesses and group head office on the other will also be improved if BP can transform itself into a true "transnational", like Unilever or Procter & Gamble, in which power and responsibility is shared, on an increasingly flexible basis, across its international operations, rather than concentrated either at head office and/or in the group's home country.

Horton has been quick to espouse the term "transnational", but as yet BP is still mainly a UK-centric corporation. The cause of transnationalism will be improved by the decision to make the head of Deutsche BP, Rolf Stomberg, chief executive of the newly-created single European organisation for BP Oil (which includes the UK).

At a lower level, a decision has also just been made to appoint as head of group training an executive based in Cleveland, and *not* to move her to head office.

Other Americans appointed to senior BP corporate functions in the last few years – notably the group's treasurer, its controller, and its head of human resources – have all been imported to London.

But true transnationalism will not have arrived either until many more group functions are dispersed abroad, or until the headquarters of at least one of BP's major businesses is located outside the UK. So far, the only business in this position is the junior of the four: nutrition, which is based in Belgium.

Horton recognises the problem, and says that it would have been sensible to base BP Minerals in the US if it had not been divested. But he says he cannot see any advantage, for instance, in shifting the head office of BP Oil to America.

"It's better to say that we are a transnational which happens to have its head office in London," he argues, "and that we intend to ensure that non-Brits can get to the top of the businesses. One of them *will* get to be a business chief executive." He is certain.

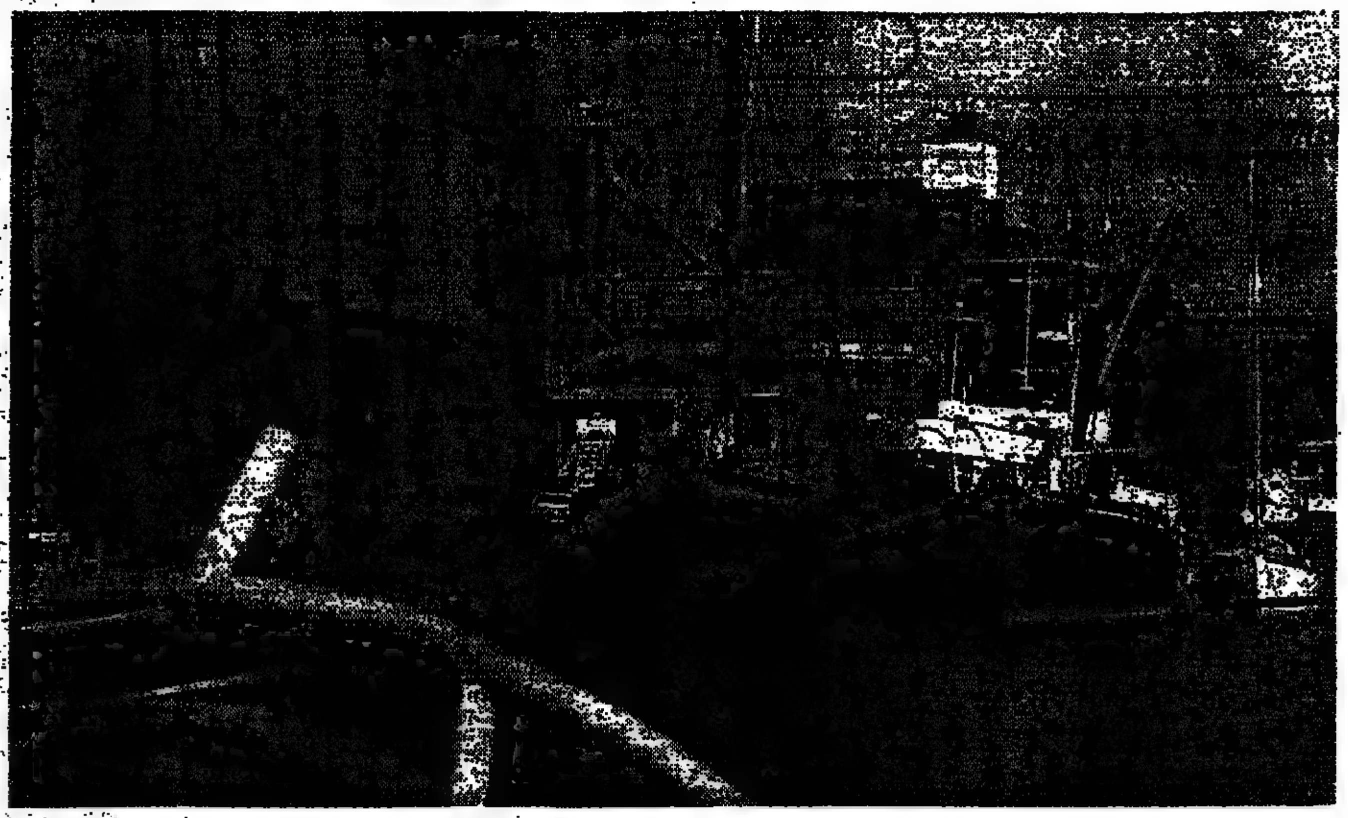
Horton's reluctance to countenance the decentralisation of group-wide head office functions is based partly on his wish to reassert BP's cross-business strengths as a corporation, after a decade of increasingly centrifugal behaviour by the businesses. But it is also caused by his "wait and see" attitude to whether they can develop the same non-hierarchical, informal, "networked" way of working which BP's London headquarters is now setting out to develop.

Unless all parties can do so, including the group's regional offshoots, BP will risk slipping back into the formal, over-controlled state – and stasis – of the last few years.

FINANCIAL TIMES

SURVEY

The regional capital of an agricultural hinterland, Ipswich has developed into a centre for insurance companies. Eleven miles down the River Orwell, Felixstowe is now an international port. And there are ambitious plans for Ipswich and its docks, reports Stewart Dalby



Ipswich Docks, photographed by Alan Harper (see story, page 4)

IPSWICH & FELIXSTOWE

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New life for old sea-dogs

"Ipswich is situated at a point which could not help but be the site of an important settlement in very early times as at the present day. The River Orwell, which leads up to it, is the one easily navigable river in Suffolk: ships can enter or leave at any state of the tide."

THE TOWN may once have been an important sea capital. By the time these words appeared in 1970, in John Seymour's Companion Guide to East Anglia, however, Ipswich was, like Norwich, a sleepy backwater stuck out on a knuckle of land seemingly on the way to nowhere.

It was the centre for a rich rural hinterland and in its manufacturing sector there was an emphasis on agricultural engineering.

The revitalisation of Ipswich to its current lively state stemmed from the improvement in land – rail and road – communications, rather than the sea.

When the industrial shake-out of 1979-81 came along some companies went out of business or were taken over. Ransomes and Rapier, an engineer, was acquired by Mr Robert Maxwell's Pergamon Group, although after various contortions including a management buy out a smaller group has re-emerged in Ipswich in the form of NCK Cranes.

Others, like Ransomes Sims and Jefferies, survived by radically transforming themselves.

Ten years ago, the company employed 2,700 in a fully vertically integrated operation making, among other things, fork-lift trucks. Now, Ransomes concentrates on grass cutting machinery and employs 750 people in Ipswich and 400 in Plymouth and a similar overall total in the US.

Unemployment in the early 1980s shot up to 11 per cent in Ipswich and could have reached the totals of over 20 per cent in northern industrial towns were it not for the working port and the fact that by this time Ipswich with its improving communications had been discovered by service companies as a relocation centre.

Guardian Royal Exchange moved to Ipswich in 1969 and now employs 1,250. General Accident was already in the town. Willis Faber arrived in the mid-1970s and now has its main out-of-town office in Ipswich, employing 1,800. Also in the mid-1970s British Telecom transferred its research and technology division from London to Martlesham Heath, a few miles outside Ipswich, and currently employs thousands.

Some of the companies went to Ipswich because the council even then could see the need to widen the employment base. It offered cheap rents for city centre sites.

But virtually all the companies cited the proximity to London (with the A12 being improved) together with the availability of labour, which was cheaper than in London, and reasonable house prices.

Ipswich is 66 miles from London. The fast trains, with luck, take one hour and a quarter, and with the Chelmsford bypass completed a few years back, London is no more than two hours away by road.

The local authorities no longer offer cheap rates and similar incentives. But unlike other towns which were early into the relocation stakes, Ipswich still has unoccupied land. The borough council's 150 acre Whitehouse Estate is now virtually full. But the council is developing a business park at Sprites Lane on the western and southern by-passes of the town opposite the newish Post House Hotel. Some 6.5 acres are available now and the council hopes to bring the total development to 20 acres.

Ransomes has its 250-acre Ransomes Park which it is developing as an industrial/business estate. Clients already include Electrolux, the Post Office and British Telecom. There are plans for a 60-bed hotel and a 5.3-acre car retail centre.

Besides the business parks, there is potential for office development in and around the docks as well other other city centre sites and there is also the 400-acre airport, currently owned by the council. Almost everyone feels there is a need for a proper airport somewhere near Ipswich, but not at the current site. The grass airfields are too hemmed in by other developments.

Despite the slowdown in the economy, demand for industrial and business sites still appears strong. Mr David Payne, the council's economic development officer, says he was very surprised at the response to Sprites Lane when it was put on offer. Initially, there were 400 inquiries. Of these, about 30 companies were seriously interested. Virtually all the 6.5 acres available have been snapped up. At £16 per sq ft for B1 office or light industrial space, Ipswich is still competitive compared to other south-east England locations.

Into these sites and elsewhere the council and Ransomes will encourage high technology companies to move. But there is a feeling that Ipswich has gone from unhealthy reliance on agricultural engineering to overdependence on insurance companies. This sector could suffer from international rationalisation when the internal market gets under way in Europe in the 1990s.

There is, in any event, a cost involved in rapidly turning into a white-collar town. Property prices in the boom which ended in 1988 rose faster than in almost any other area of Britain. They did not quite overtake the south-east in absolute terms, but housing is no longer cheap, and of course virtually no-one is building new housing at the moment.

The population of Ipswich proper is steady at 122,000 but the travel to work area – the outlying villages, within a 25-mile radius has grown rapidly and is now put at 270,000.

Unemployment among the 66,000 workforce is down to 2.9 per cent which, for all intents and purposes, is full employment. There may be scope for more married women to take jobs and there are some commuters. How many is difficult to tell because British Rail either does not have the information or will not divulge how many season tickets it sells.

Companies say they are not yet experiencing the difficulties in finding staff that are beginning to surface elsewhere. But Ipswich has probably reached the point where it must think about the nature and the pace of new business development.

As with other so-called boom towns – Reading, Cambridge or Bristol – most of the population has become better off in the past 20 years, but this has served to accentuate the differences with the small but growing underclass.

Ipswich has 6,000 families on the waiting list for new homes. This does not mean that they are literally on the streets, but they live in inadequate or shared accommodation. This is a high number for a town supposed to have become part of the affluent south-east. There is an above-average number of unmarried mothers and single parent families. This could have something to do with the US air bases which are nearby.

There are, most worrying of all, more than 370 families who are actually homeless and need to be housed by the local authority. That is, *pro rata*, far higher than the UK national average.

Mr Jim Hehir, the dynamic chief executive of Ipswich Borough Council is acutely aware of these social problems. He says the council has started to take properties on long leases so that it can house the homeless and save them the indignity of living in bed and breakfast accommodation.

As he struggles to justify a poll tax for Suffolk County Council which at £440 is much higher than predicted, he feels that cheap housing has been a major casualty of the determination of Mrs Thatcher, the UK Prime Minister, to curb the powers of local government.

Ipswich Council, which collects the poll tax for the county and spends 25 per cent of it, has a net "spend" which is 96 per cent higher than the Government's standard spending assessment.

Mr Hehir says: "The Government takes no account of the fact that we are a regional capital and spend money on regional facilities."

On the question of low cost housing he feels the council's hands are tied. The Government will not let it build new cheap homes off its own bat. The council tries to includes some social or low cost housing in any developments. But given the cost of land in flourishing towns, it is hard to get the necessary numbers built.

Mr Hehir feels that housing associations have not found the answer to housing problems and this will remain an unresolved issue for the foreseeable future.

Another of the costs of development is the actual look of the town. In his book Mr Seymour says:

"Ipswich is a town of great antiquity and historic interest, but alas, practically nothing remains to show for either. The Ipswichians seem to have made a decision in the past, and to have kept to it most assiduously, to erase every building of antique beauty and interest and to turn Ipswich into, at every succeeding period a 'modern' town."

Remember, he was writing this 20 years ago, before much of the development took place. Even so, it seems a bit harsh. It is true that Ipswich is not as pretty or well-preserved as either Norwich or King's Lynn, both towns about which Mr Seymour waxes lyrical.

But it does have its moments. There are 12 medieval structures and 600 other listed buildings. Walking around Ipswich, one comes across many nooks and crannies. Part of the docks have been made attractive, and if plans go forward to develop the wet dock further it could become one of the most exciting leisure shopping complexes in the country.

Above all, Ipswich has managed to avoid the car congestion and pollution found in Reading, Cambridge and Bristol. Lorries thundering down to Felixstowe go along the A45 over the Orwell bridge, missing the town.

Ipswich is not off the beaten track like Norwich and King's Lynn. The next decade could easily see it become the undisputed regional capital of East Anglia rather than one of a number of claimants.

Such claims could be enhanced by Ipswich's proximity to Europe. Britain is becoming more European-minded with the internal market of 1992 looming up and the Channel Tunnel due to open in 1993, as well as the centre of gravity of Europe moving eastwards with the dramatic collapses of the old order communist regimes in the Soviet bloc.

There has been a strategic switch of trade from the west coast of Britain to the east coast. Felixstowe has grown dramatically in recent years, and the smaller docks of Ipswich have also expanded. Both ports envisage further growth in the 1990s even with the Channel Tunnel open and running. Mr Seymour may well be right in saying Ipswich cannot fail because of its sea connections.

More than in most UK towns, services have grown in importance as manufacturing has declined, reports **Gabriel Bowman**

Insurers feel at home in pleasant surroundings

Willis Faber's award-winning transparent glass building in the centre of Ipswich

IPSWICH USED to be a commercial travellers' graveyard, recalls Mr M R Goodwin, administration manager of the General Accident office, a northerner who has been in the town for 40 years. "But it's not so today."

Now General Accident rates its Ipswich office as ahead of Norwich and Colchester, and much more important than 10 years ago.

Demand for insurance – and consumer demand in general – has been spurred since the move in the mid-1970s of British Telecom's research and technology division from Dollis Hill, London, to Martlesham Heath, a few miles from Ipswich. That more or less coincided with the expansion of insurance groups in the town.

"The philosophy of the 1960s was to put thinkers into a quiet environment," explains Mr Peter Button, BT's head of public relations. The site came into use in 1968 and was formally opened in 1975, since when it has doubled in size. At 100 acres, it is probably BT's biggest outside London (though Goonhillie has a larger acreage). It employs 3,600, of whom 47 per cent are graduate engineers, 15 per cent other engineers, 15 per cent technical support staff, 20 per cent administrative and 3 per cent trainee technicians.

Average age of BT staff at Martlesham is a mere 31 and there is a 10 per cent annual turnover. About 40 apprentices are taken on there each year, though the proportion of Suffolk-born employees is still a low 15-20 per cent. "But the local born-content is growing higher and higher," says Mr Button.

BT also has a Felixstowe division which, unlike Martlesham, produces customer products, such as telephone apparatus. And not all of BT's technology staff are at Martlesham: there are smaller sites in London, Belfast, Glasgow and even in Ipswich itself.

In an area stretching from Southwold to Saxmundham, Mr Button estimates that BT puts £55m a year into the local economy, through rates, salaries and contracts. And, of BT's total £214m spending on R&D, about two-thirds goes to Martlesham.

There has been a switch in emphasis from fibre optics and hardware to software and programming over the years. The last couple of years has seen a blip in recruitment at Martlesham, but growth is expected to resume soon.

At Guardian Royal Exchange, another of the major insurance groups in the town, Mr E J Bose, administration manager, speaks of the "demographic time bomb we're all facing." He means that unemployment in the town is down to 3 per cent and the supply of school-leavers looking for insurance jobs is in danger of drying up.

"I remember," General Accident's Mr Goodwin says, "the year GRE started up in the town and we couldn't get a single school-leaver."

GRE relocated to Ipswich in 1969 as part of a national exercise and now employs 1,250 in the town (though its Lytham St Anne's, Lancs, plant is larger, employing around 2,000.) The latter is the group's computer, accounts and life insurance processing centre, but Ipswich seems to be the headquarters for much of the rest.

Underwriting, personal insurance, financial accounting, marine, private trust and the main personnel units are among 28 departments which are run from Ipswich, along with the group's local branch and claims department.

Why did the group come to Ipswich? GRE had looked at Bath and one or two other locations. Mr Bose points to the amenities in the locality and the big car park which the group provides. Ms Mary Williamson, personnel manager of Willis Faber, gives a panoply of reasons for this insurance broker's move to Ipswich in the mid-1970s.

Ipswich is Willis Faber's main out-of-town office, with 1,800 employees (more than the London office). She lists six key advantages:

- Ipswich is in the same direction as Southend.
- East Anglia is a boom area.
- The town is a good source of employees.
- Most people have the right skills.
- There are good communication links with London.
- Property prices are reasonable.

Also, because one can find pleasant surroundings in the area in which to live, it is easier to get staff than in some other parts of the country. And Willis Faber, as Ms Williamson asserts, is determined to be a forward-looking employer. Its strikingly transparent, award-winning building in the centre of town received the accolade of being featured on an Architecture of Europe stamp a couple of years ago.

Willis Faber took over much of the Franciscan Way project for its HQ, replacing a failed council shopping development. Indeed, it has now taken over Franciscan House as a third group building in the town. "We're always bursting at the seams," says Ms Williamson.

Despite signs of an economic downturn, Willis Faber does not expect to lay any staff off. Nor do any of the other insurance groups. Instead, in its struggle to get staff, Willis Faber sees its main competitors as BT and GRE, together with Sun Alliance and Eastern Electricity.

BT and all the insurance groups emphasise their links with Suffolk College, which is also the town's insurance institute. GRE, for instance, has representatives on the college's board of governors and, thorough the college, its recruiters have connections with head teachers. It donated £50,000 to Ipswich Initiative, a scheme to bring technology into schools. Willis Faber and GRE are among the guiding lights of Disability Care Enterprises, a charity set up by local businesses to provide warder-type accommodation for the disabled.

The latter two projects are run in conjunction with the local council, with which the service groups appear, by and large, to have good relations. The facades of General Accident and Commercial Union, down the road in Crown Street, tone in well. "The town planning people even stipulate the kind of mortar we have to use in our bricks," says Mr Goodwin. It doesn't sound like a complaint. After 40 years, there is even a note of civic pride.

Plants flourish away from their roots

WITH HEADQUARTERS still in Ipswich, Fisons and Ransomes are – to the City, as to the man in the street – synonymous with the town. But in the 1980s, both moved away from their roots and flourish significantly elsewhere.

When Fisons sold its agrochemicals business soon after Mr J S Kerridge became chief executive in 1980, it had a market capitalisation of £50m. Now the figure is £2.3bn. "We're the fastest-growing business in East Anglia," says Dr Peter Woods, corporate affairs director. But most of that growth has been in health care, which is based in Lincolnshire (Sanatogen, anti-asthma drugs, etc) and in scientific equipment, based in Middlesex.

Of its total 10,000 employees, a mere 320 work in the Ipswich area: some 90 at headquarters, 200 in the Bramford horticulture division and 30 in horticultural research at Levington. Dr Woods says the company's spectacular recovery in the past decade from a fairly low point has been due to concentrating on areas that are resilient to any economic downturn. That includes horticulture – a high-margin, non-cyclical business which, he claims, many of Fisons' competitors would like to buy. "We don't see ourselves divesting in the near future," he insists.

In fact, profit margins in horticulture, which was hit in 1988 by the decline in North American peat prices, are similar to those in scientific equipment (marginally the biggest of the three divisions) but only about a third of those in pharmaceuticals. Or, to put it another way, horticulture in 1989 gave Fisons 3.95 per cent of its profits and comprised 8.2 per cent of its turnover.

At Ransomes, the retreat from Ipswich is less marked. In the past four years, the Ipswich workforce has halved to 750, while the company's worldwide total of employees has grown to 2,500. Mr Keir Wyatt, a director, says new technology and natural wastage are largely responsible for the local staff cuts, and stresses that he does not foresee any further reductions.

The company now has four main divisions: commercial, consumer, North American and property. The last of these is a local business park, whose other occupiers include Electrolux, the Post Office and Lex Service Group. Ransomes has interests in France and Italy, as well as Berkshire-based subsidiary Mountfield and Westwood of Plymouth. Mr Wyatt did not seem fazed by the news that Mr Nicholas Ridley, Trade Secretary, has put a spoke in the wheel of Ransomes' acquisition of the latter company, a grass-cutting machinery manufacturer, by overruling the Office of Fair Trading and referring the deal to the Monopolies Commission.

The lion's share of Ransomes' grass-cutting business is sold to local authorities and golf courses, but some 55 per cent of Ipswich turnover finds its way abroad, to 84 countries.

Established in 1986 as a joint 50-50 venture between British Telecom and Du Pont of the US ("BT had the technological expertise and Du Pont had the marketing expertise") BT&D Technologies employs more than 360 at its plant just outside Ipswich. Its fibre-optic components are used in data and telecommunications and in instrumentation systems.

Last year's BT&D sales were 300 per cent up on the year before and this year's are expected to be 100 per cent above those of 1989. More than 90 per cent of the company's products are exported to Europe and the US.

Having started with 60 employees, the company doubled its workforce in 1988 and again last year, when double work shifts were introduced. "The number of employees is set to continue to rise," it says.

At the heavy manufacturing end, NCK, which makes crawler cranes and truck mixers on the Whitehouse Estate, is also likely to take on more workers. But that would merely raise the number from 54 (including five in the West Country) to about 70 when its new workshop is completed in April.

A subsidiary of Cliff Holdings, the Rochester, Kent, construction company, NCK is the successor of Ransomes & Rapier, which broke away from the other Ransomes in 1869 to engage in railway production and as recently as 1986 had more than 500 employees in the town. In another guise, it was at one time part of Mr Robert Maxwell's engineering interests.

Also facing a change of ownership is Metier Management Systems, the software developer, which was founded in 1976 and taken over by Lockheed in 1985. But last April, the US aircraft manufacturer decided to divest. Why? "Because Lockheed is a £10bn company, of which software accounts for £1bn, and Metier is just a £100m company. Nevertheless, we're excited about the potential and not worried about the future," says Mr David Dixon, a director.

He expects that Metier will eventually be taken over by another company. A management buyout was considered, but rejected as impractical.

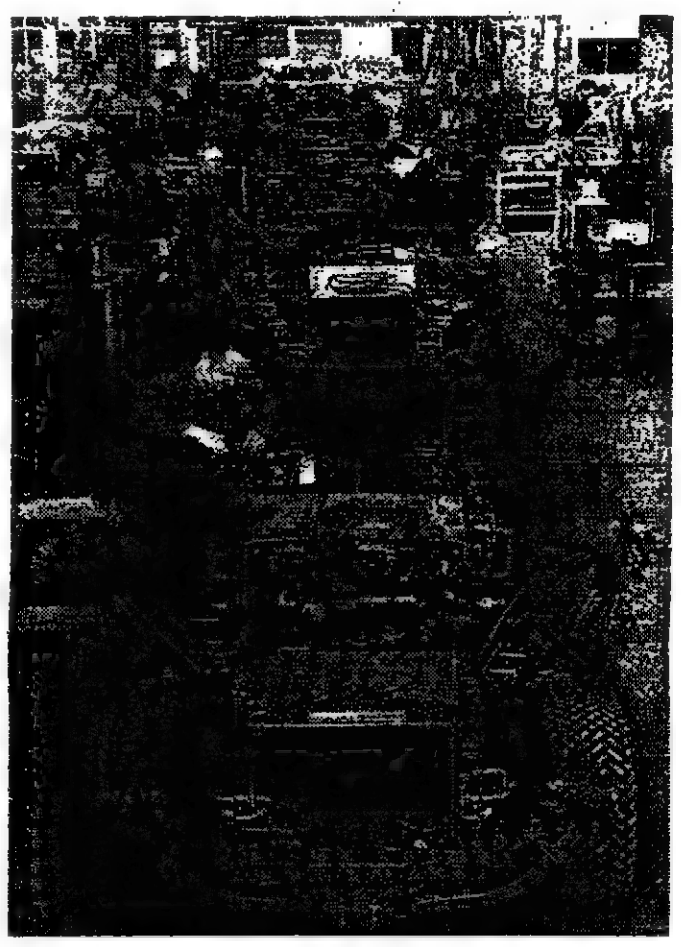
Metier's research and development division is based in Ipswich (the sales division operates from Hayes, Middlesex) and a production site was acquired in the town last year.

The company, which employs 160 in Ipswich out of a worldwide total of 700, does not expect to relocate when it is taken over and argues that, far from losing staff, its Artemis project management systems are likely to be in growing demand. It has an expanding list of Japanese clients and is also active in the US and Europe, with offices in 26 countries and installations in over 40.

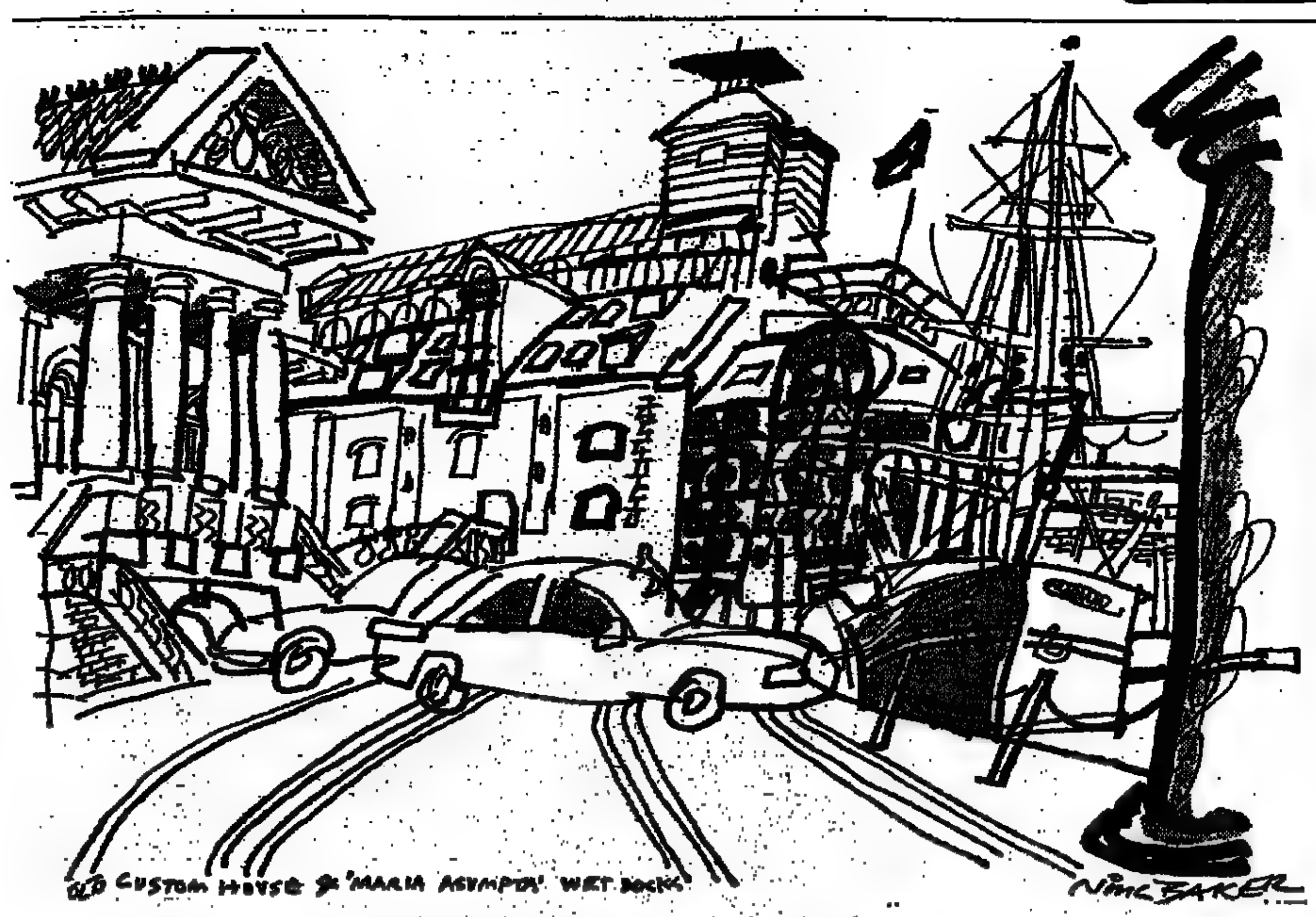
There are, of course, other manufacturers, of one sort or another, in the Ipswich area. Pauls, now part of Harrisons and Crosfield, is not quite the animal feeds force it once was while John Player, part of a subsidiary of Hanson, was never primarily an Ipswich company.

Yet the manufacturing base has declined. One company director, unattributably, blamed the council, contrasting it unfavourably with the more commercially-minded Colchester and Peterborough.

Thanks to the service groups, Ipswich unemployment is low but if companies had to stamp their town of origin on their goods, "Made in Ipswich" would be quite a rarity.



Ransomes' motor mowers designed for the Japanese market



Stewart Dalby looks at the UK's fourth largest container port

Dynamism of the short haul

SO PROMINENT has Felixstowe become that it is often overlooked that Ipswich has a port of its own.

A harbour of some kind has been in existence since Saxon times, but in the 1980s, Ipswich port has benefited, like other UK east coast outlets, from the strategic switching of trade from the Americas to Europe.

For the first time, in the year ending December 1989, Ipswich handled more than 5m tonnes in cargoes. The total freight handled, including containers, roll on/roll off vehicles and bulk solids and liquids, was 5.5m gross register tonnage compared with 4.8m in 1988.

Ipswich is now the fourth largest container port in the UK, after Felixstowe, London and Southampton, with 1.5m tonnes traded in 1989 compared with 8m tonnes for Felixstowe.

Unlike Felixstowe, however, which goes in for long-haul traffic and tries to rival Rotterdam in transhipment business, Ipswich has concentrated on short-haul European business.

The port is now the largest in the UK for near-Europe containers, with 1.057m tonnes in 1989 compared with 1.006m tonnes for Ipswich and 911,000 tonnes for Hull.

Ipswich, in fact, is still the third largest port dealing with containers to and from North America although it is a long way behind Felixstowe and Liverpool. Ipswich traded 277,000 tonnes, compared with 2.5m for Felixstowe.

The near-Europe short-haul container business has been the most dynamic growth area for Ipswich, with the number of 20ft equivalent units (TEUs) more-than-trebling from 63,207 in 1980 to 199,775 TEUs in 1989.

Ro-ro traffic has grown rapidly and in 1989 Ipswich was the ninth largest port in the UK with 1.3m tonnes in seaport trailer trade. Bulk liquids and solids have also increased although trade here is at a lower level. However, there has been an increasing amount of grain shipped through the special grain terminal to the Soviet Union.

The port today can be broken down into three distinct areas. The oldest part is the enclosed dock or the Wet Dock as it is known. Here the authority has 900 metres of quays as well as 820 metres of private quays. This part accounts for only 2.5 per cent of the ports business, but remains a working part of the docks. The second area is the Cliff Quay with a quay length of almost a kilometre. This handles general cargo and container vessels, raw material imports and exports and petroleum imports to the tank farms at the north end of the quay. The third area is the West Quay including the Cast Terminal. The modern unit load services handle containers and road trailers.

According to Mr Alan Hanson, commercial manager at the Ipswich Port Authority, the recent history of the port is one of solid growth up to the late 1960s, then a period in the doldrums, followed by dynamic growth in the 1980s.

Profits in 1988 were £807,000 before tax. This figure might not be much changed for 1989 since £1m was paid in redundancy with the ending of the national dock labour scheme. Unlike Felixstowe, Ipswich was a scheme port, although it was not noted in recent years for the militancy of its workers. Some 50 people took redundancy and the workforce is now down to 393. The port authority is responsible for navigation and conservancy on the River Orwell, so there is a wide variety of jobs. The enclosed dock needs continuous dredging.

However, the ending of the dock labour scheme should mean greater productivity since Ipswich had an unusual system whereby on-ship workers were part of the scheme and there was a separate workforce for onshore work.

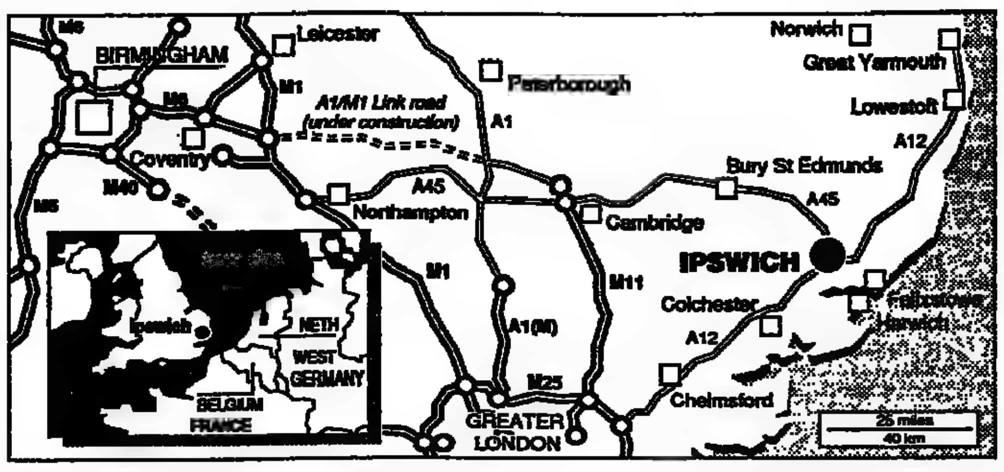
There is now much more flexibility in working practices. The port authority has plans to expand the dockside activities. One area has been marked for development next to the Cast terminal on the West Bank and another on Cliff Quay, where the power station was. Besides this, there are plans to develop port-related industry.

Also, there is suddenly a demand for port-related warehousing which did not exist during the national dock labour scheme when traders were frightened that goods would be locked into warehouses if there were a strike.

Plans to develop this warehousing are still an early stage and may be taken together with other dock landowners. However, the port authority owns sufficient land to add another profitable string to its bow and keep on growing.

Richard Gourlay on the likely impact of the EC single market

'It'll be all right on the night'



IPSWICH HAS long harboured the belief it is at the centre of a part of England more strongly tied to continental Europe than most other regions of the country. The single market of post-1992 Europe, the town's image makers would therefore have us believe, poses challenges that will be easy to meet as Ipswich will simply expand its historical role as the "gateway to northern Europe."

This rather comfortable view of the future, resulting perhaps from three years of strong economic growth, obscures a question that policy makers in many regional UK towns must be facing: do our rich and illustrious pasts and our historical links provide any pointers to what our role will be in the Europe of the future?

The Ipswich links with Europe are indeed strong. Unhappily, one of the town's first experiences as a "gateway" was its repeated trampling under the feet of Viking raiders, culminating in King Cnut of Denmark's successful invasion of England up the Orwell River in the 11th century.

Later contacts with the Continent were more welcomed, leading to highly developed wine, cloth and wool trades and to the region playing a vital role in the agricultural revolution, helped by Turnip Townshend's introduction to East Anglia from the Netherlands of rotation farming.

With the decline in the region's fortunes economically, relative to the industrial heartlands of Europe and the UK, has come a decline politically. Indeed, internationally minded planners in Ipswich, like Mr James Hehir, the borough council chief executive, suffering from the strictures of the poll tax and increasing encroachments by central government into local finances, look longingly at the development of Europe along strong regional lines around an, albeit increasingly influential, administrative centre.

"Ipswich suffers, particularly in calculation of the poll tax, because central government does not recognise regional centres."

On one level, of course, Ipswich's business community and planners are unconcerned with the arrival of the single market. For four years at least the economy has been rapidly expanding, fuelled by better communications with London and the Midlands, relocation of service industries from the capital and proximity to some of the most unspoilt countryside and coast in the south of England. The town has enjoyed its share of East Anglia's net immigration – population has been growing faster in the area than anywhere else in Britain – with new jobs, in places like BT and London Underground's research centres, the kind planners would call "quality" employment.

And there is more prosperity on the way, assuming the near-absence of unemployment does not drive wages up and investment away. Neighbouring Felixstowe port, continued expansion of which will perhaps have as much influence on Ipswich's fortunes in post-1992 Europe as anything, is still growing. But planners have proposed that new housing stock should be built in Ipswich rather than further enlarging the Edwardian seaside resort. A high-tech business park is being set up on Ipswich outskirts and Civic Hall's corridors are abuzz with rumour of Sweden's Volvo moving a large back office operation to the town.

Lurking in this otherwise bright horizon is one potential storm cloud. There is growing awareness about over-dependence on the service sector, a concern that again should be common to other towns that successfully attracted back-offices re-allocating from London. A report by Italian economist Paolo Cecchini, on the effect of post-1992 Europe on member states suggests there could be losses in financial services and that the UK would be hardest hit.

Ipswich, which has successfully attracted Guardian Royal Exchange, General Accident, Commercial Union and Sun Alliance regional headquarters, may be particularly vulnerable. But in the battle to attract large companies, towns tend to take what they can get.

In one area, new European opportunities have already arisen, most noticeably under the 1987 Single European Act provisions on competitive tendering for public procurement which started to affect local authorities last year. French contractors have been particularly active in tendering for local authority contracts in the UK and Ipswich has been no exception.

To meet the challenge, Ipswich borough reorganised its various works departments into profit centres which bid for works. Last year, the council beat off a challenge from Cory Onyx of Spain and Sitatleau of France to win its own five-year garbage collection contract – a victory that Mr Hehir says was crucial as once a garbage contract has changed hands it is unlikely to revert to the council. And as further evidence of competitive winds blowing from Brussels, Ipswich is now bidding for, and winning, contracts for building control supervision in neighbouring boroughs.

However, to a great extent, Ipswich's recent economic success has happened despite Europe and not because of it. Mr James Miller, an Ipswich-based venture capitalist who sold his software company to Lockheed, suggests there is no special reason for being based there in terms of access to Europe. Environmentally, Ipswich is very pleasant but he could have set up anywhere. Indeed, should the airfield close in five years when the council relinquishes control, he says he will move to more expensive Cambridge which has private air facilities.

This attitude tends to underline the impression that Ipswich is still fumbling to identify what its role will be in post-1992 Europe and how its planners and business community should be responding.

Certain measures have been taken. The Council's Employment Development Office, funded by the European Commission, is surveying 30 local small and medium-scale companies to estimate "the general level of preparedness for the single market"; a number of 1992 and year 2000 business committees have been set up and the council is making a worthy attempt to move from symbolic twinning of towns in Europe and towards development of real business ties with places like Rotterdam.

But the overwhelming impression is of a well-intentioned lack of preparation, backed by an optimistic spirit of "it'll be all right on the night".

Ipswich is not alone in this for the simple reason that none of the regions can be clear how 1992 will affect them. It applies equally to the UK as a whole, given the shift of Europe's centre east, towards Brussels at the very least, if not further to the industrial heartland of an enlarged and increasingly dominant united Germany.

RECENT SURVEYS

Humberside .... July 5 1989
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DOCK DEVELOPMENT

Pause on the quays

IPSWICH – which has had a port on the River Orwell since AD 43 and today is the biggest estuary port on the east coast between the Thames and Humber – has not escaped the attention of the developers. They have been beating a path to its door for 10 years, at least until the recent downturn in property values.

On paper, the prospects are mouth-watering. The inner dock is an area of about 70 acres. There are some 26 acres of open water. It is not a normal docks since not only are Wherry, Orwell and Cliff Quays on one side of the River Orwell and the West Bank is on the other, but there is the added advantage of an island in the middle. So there is a higher than usual proportion of waterfront land.

The complex is literally five minutes walk from the old administrative heart and shopping centre of Ipswich.

There has been some development along the Neptune Quay and Wherry Quay right at the base of the Wet Dock, as the inner dock is called.

Ipswich Borough Council would like to see the whole of the 70-acre Wet Dock area developed. It envisages a hotel and conference centre on the island site, housing and offices on the two quays, possibly a maritime museum in a central position, a co-ordinated water plan embracing possibly a marina and related onshore leisure developments including restaurants and shops.

Waterside development would give a terrific boost, the thinking goes, to Ipswich's aim of becoming the undisputed regional capital of East Anglia at a time when Britain is becoming more Euro-conscious because of the internal market in 1992 and the Channel Tunnel in 1993.

The problem with getting any sort of masterplan in place is that, as so often with old dock areas, there is mixed ownership. The council owns an area of around 14 acres on the West Bank. Mr Robert Maxwell's Pergamon Group owns a 16-acre site, also on the West Bank. The major landowner is the Ipswich Port Authority, which is a statutory trust port.

This owns all of the 18-acre Island site, which is now used for port services. It also owns a six-acre plot of Orwell Quay and Parkside, an eight-acre plot behind Orwell Quay. British Gas owns eight acres further along Orwell Quay. This is on a long lease to Anglo-Norden, a timber company.

Eighteen months ago, an attempt was made to get the landowners together to bring about a co-ordinated development. The value of the land was £1m an acre. The port authority saw the prospect of developing Orwell Quay and turning a nice profit to finance expansion further down the river outside the Wet Dock.

However, land values slumped in 1989. Dockland is now worth around £400,000 an acre. Development has become less attractive.

Then, the port authority had a closer look at the infrastructural changes that would be needed. It was estimated that a bridge would be necessary from the island across the New Cut and possibly two bridges, because of restricted access.

According to Mr Alan Hanson, the authority's commercial manager, each bridge would cost £1.5m. "So you are talking about £3m off your bottom line before you start. Then there is the railway," he says.

Currently, a single track goods railway runs from Cliff Quay along the side of the island and joins up with the main station way off to the west. It would have to be diverted to cross the tip of the island down the West Quay, it is felt. Then there is the possibility of friction with the industrial companies still using the Wet Dock, such as Cranfields, a miller and Pauls, the maltsters. People would not like to buy upmarket housing opposite working warehouses and factories, it is felt.

Finally, surface drainage would have to be undertaken and this too costs money.

All this gave the port authority reason to pause. But what really made it hesitate and re-examine its plans was the ending of the national dock labour scheme last year.

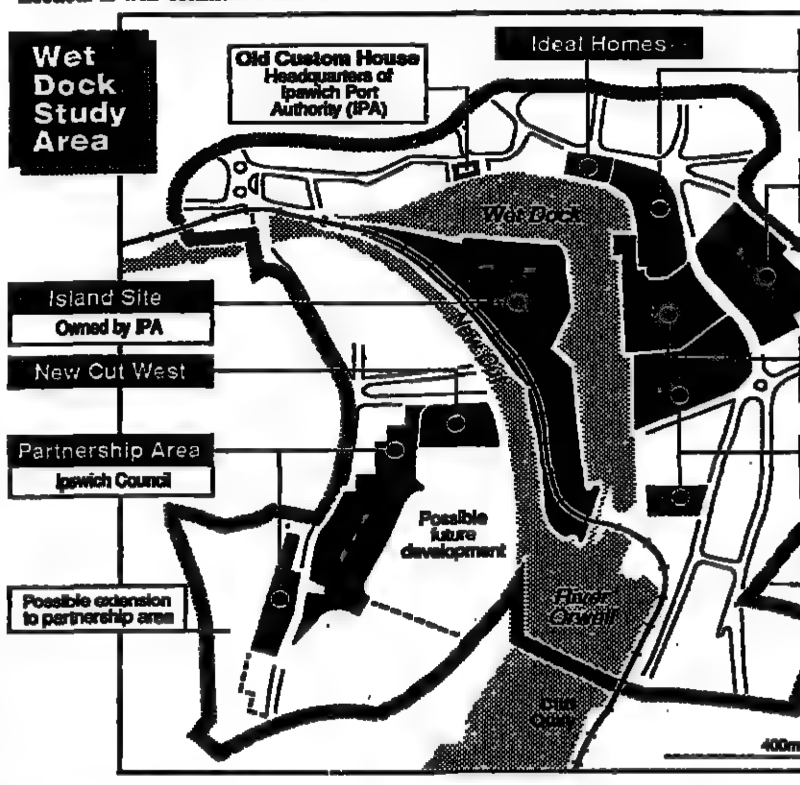
Mr Hanson says: "What people often overlook when talking about developing Ipswich Docks is that it is not derelict. Ipswich is still a working port. The Wet Dock accounts only for 2.5 per cent of our business now but we still use it."

He adds: "What the ending of the scheme meant for us was that there was a demand, almost overnight, for warehousing. Before, companies would not warehouse at ports as they were terrified their goods would be locked in by a national dock strike. Or they feared a Labour government would extend the scheme.

"Now companies want sites. The island is ideal for warehousing. The council owns a site further down river which, it so happens, is the same size as the island. It may be possible to do a land swap."

Mr Hanson says that in 10 years the dock might develop as the council hopes. But for the moment the port authority is taking things slowly and looking to its best options.

Stewart Dalby



Richard Gourlay reports from Britain's largest container port

A chill wind of competition

THERE WAS something portentous about the fierce gales that whipped down the Orwell estuary last month, immobilising the straddle cranes at Felixstowe, the UK's largest container port.

For once the port, which has enjoyed a decade of phenomenal growth, was as helpless in the face of the winds as other British ports, many of which have languished over the same period. Felixstowe was receiving a chill reminder that it will soon meet competition on something much more like a level playing field.

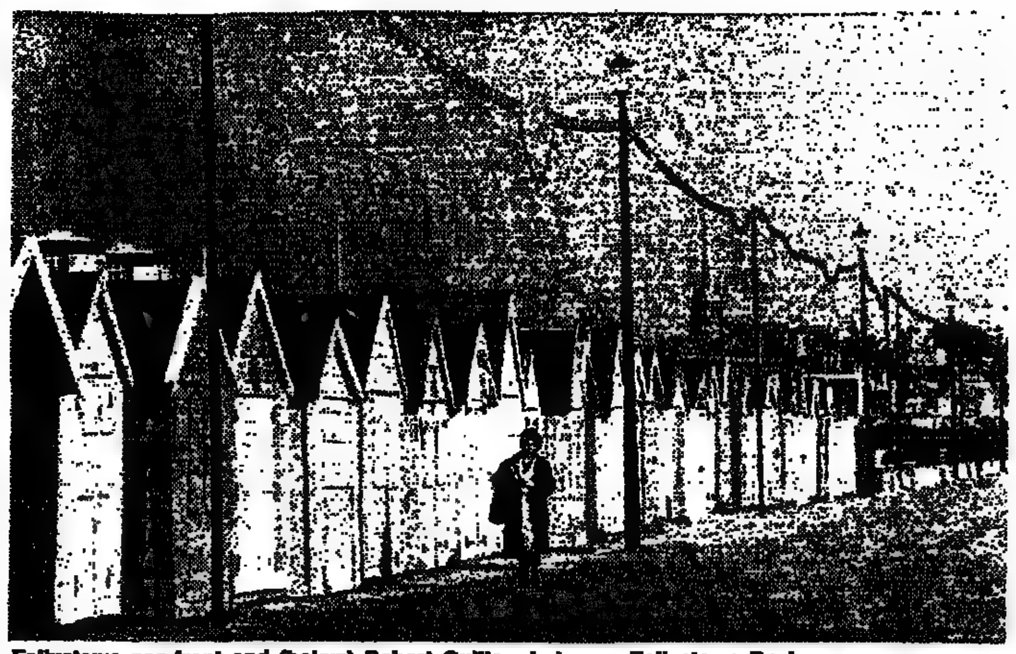
The abolition of the Dock Labour Scheme in July 1989, ending a 40-year practice that in its latter days had stunted investment and severely shackled management flexibility, has proved a fillip to competition. There are already examples of new life in ex-scheme ports, such as Southampton and Grimsby. And, as if to emphasise the arrival of a new era, 700 Felixstowe dockers went on a rare strike last November and were issued dismissal notices before a settlement was reached on new shifts.

Nevertheless, the advantages bestowed on Felixstowe, from the flexibility it had as a non-scheme port and its geographical position as the closest of the British ports to Rotterdam, have given it a flying start.

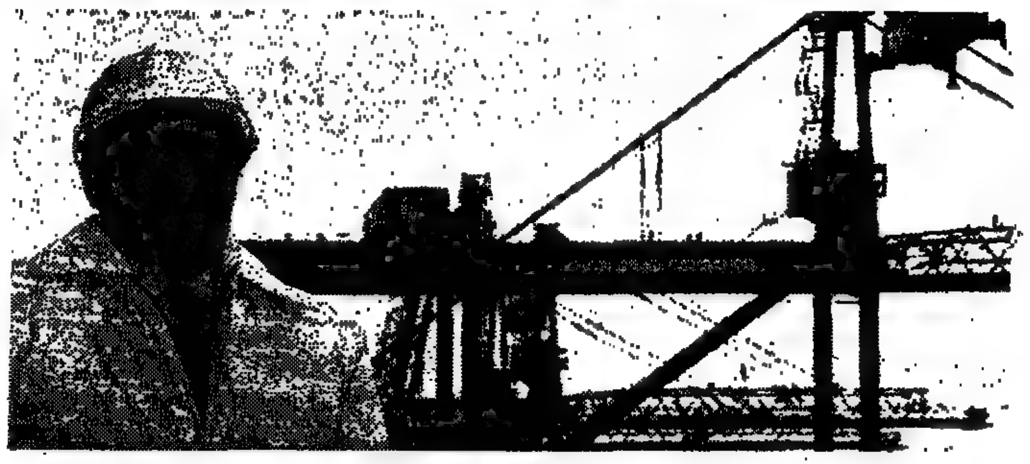
Since P&O took over Felixstowe Dock and Railway, which runs the port, from European Ferries in 1987, the volume of cargoes has increased by 50 per cent to more than 15.4m tonnes and the number of 20 ft equivalent container units (TEUs) handled has risen at a similar rate to more than 1.3m.

The four-fold increase in container throughput since 1979 has made Felixstowe Britain's largest container handling port. Pre-tax profits have risen equally impressively – by 73 per cent in 1987 from £5.5m and by a further 72 per cent in 1988 to £16.3m.

Mr Robert Guille, Felixstowe Dock's chairman, says 1989 will have brought further increases in traffic and profits and that the end of the scheme has not led to the loss of customers to ex-scheme ports.



Felixstowe sea-front and (below) Robert Guille, chairman, Felixstowe Dock



Stiffer competition is also likely to emerge from other sources. There is the Channel Tunnel, due to open in 1993, and there is the formidable prospect that the single market of 1992 may further boost the Low Countries ports of Antwerp and Rotterdam.

Mr Guille is sanguine about these competitive threats. The Channel Tunnel's two rail lines represent, he claims, the equivalent freight carrying capacity of just one more ferry service. The freight it will attract – 4 per cent of the UK's total traffic – is likely to be bound for central and eastern Europe.

It would be unlikely to provide a viable alternative route for the transhipment and short-haul traffic that makes up 30 per cent of Felixstowe's traffic, he says.

Felixstowe is also well-placed with adequate capacity following the completion last year of the first phase of the Trinity terminal. The 220-acre expansion was finally approved in 1988 after a four-year parliamentary battle fought by the Labour Party in a last-ditch effort to save the Dock Labour Scheme and the environmental lobby which argued the scheme bit into mudflats on the Orwell River that are designated Areas of Outstanding Natural Beauty and Special Scientific Interest.

The battle was at times ridiculous – pitting Labour politicians suddenly interested in the plight of dippers and waders against a port authority backed by Trinity College, Cambridge, which had bought the mudflats in 1933 for scientific reasons.

But it also highlighted a local dilemma. Felixstowe without the port would be a shadow of itself, a tired Edwardian seaside resort. On the other hand, local planners say there is growing resistance in Felixstowe to further port development for fear that the balance between sleepy resort and working port and the surrounding beauty will be destroyed by the laying down of more concrete.

This is at least a risk if Toyota, now building a European car plant outside Derby decides one day to ship its UK exports to Europe through Felixstowe. Mr Guille says very preliminary talks with Toyota have taken place.

So far the company has spent £50m building an extra 315-metre berth and extra container storage capacity, enough to bridge the downturn in the current business cycle, Mr Guille says. During the forecast period of relatively sluggish growth, the port's immediate aim is to grab some of Rotterdam's transhipment business, although Mr Guille complains British ports are hampered by trade practices out of their control like the subsidies afforded to some European ports.

The other counter-cyclical business activity to be developed is rail-fed freight, which currently accounts for only 18 per cent of all freight moved out of the port. BR plans to increase the number of wagons but Ipswich residents and Ipswich borough are threatening legal action against the present levels of noise pollution.

Growing environmental sensitivity has already started to define the geographical spread of the port. Under the 1988 dock expansion bill, the port is allowed to expand 800 metres further to the east, enough to give three new 315-metre berths, subject to approval of the Secretaries of State for the Environment and Transport. But that is probably the limit. As a result of the four-year anti-expansion campaign, the company has undertaken not to seek to spread further and is building a wildlife sanctuary on the western end of the port.

The company is also focusing on more efficient land uses. It has started looking at computer reading and recognition of containers; it is experimenting with computer location of boxes and it is looking at higher stacking techniques used in Singapore and Hong Kong.

As ports move further along this technological road, and machines increasingly remove the smell of salt spray and sweating stevedores from the docks, who knows whether Felixstowe may not even retain its lead by learning how to tame the wind?

THE QUALITY OF LIFE

Poll tax is a problem

LIKE EVERYONE else, it seems, Mr Jim Hehir, chief executive officer of Ipswich Borough Council, is worried abut the poll tax. His problem is not so much that he does not want to pay it, but the hard job he is having in justifying the rate that has been set.

Suffolk County Council is seeking £440, much more than originally thought necessary. This breaks down as follows: the county council £328 or 75 per cent of the total, Ipswich Borough Council £96 (22 per cent) and £16 loss on collection.

The Government might try to "cap" Ipswich (which is the collecting agent for the county council.) It considers that Ipswich should spend £9.1m, but the actual figure will be £17.9m or 96 per cent above the Standard Spending Assessment.

On the revenue side Ipswich, which has developed service sector industries in recent years, is losing out on the Uniform Business Rate. Under the new system, which like poll tax, comes into effect next month, £31m should be collected from businesses in Ipswich, but the Government figure allows only £25m back, since not all the people who work in Ipswich live there.

But the main reason for the high charge, Mr Hehir maintains, is that the Government makes no allowance for the fact that Ipswich has become a regional centre in recent years, providing services for the surrounding districts and parishes and not just the towns.

Ipswich, the county town, has also developed as a shopping centre for villages and towns as far as 25 miles away.

In terms of leisure and recreation, it has made great strides in recent years. There has always been the Ipswich Town football club. It continues to have its ground right in the middle of town, close to the Civic Centre and the docks.

Ipswich also now has four leisure centres. The best-known is the Crown Pools, with over 800,000 users a year.

The town has developed considerable business tourism. Two newish hotels, the Post House and Novotel, are full during the week. There are hopes that weekend or leisure tourism will be developed.

Instead of the old Odeon cinema, there is to be a five-screen multiplex cinema, but that cinema is being preserved as a 1,800 seat theatre. It is hoped this will mean that national dance, opera and theatre companies will put Ipswich onto the national circuit. Down on the docks, plans are progressing for a European Visual Arts Centre, which may prove much more than a art gallery.

Stewart Dalby

ARTS

ARCHITECTURE

Theorist with views of 'labyrinthine clarity'

"In a world where man is reduced to a statistic and space to a unit of rental, where a sense of place is rare and architecture restricted to superficial packaging, Aldo van Eyck remains an inspiration to us all. His outlook, though rooted in the classic and archaic tradition, derives its strengths from the work of the European avant-garde of this century and his interest in anthropology. He accepts the contradictions of this world and has transformed them into an architectural language that is inventive, inimitable and thought provoking."

These are the words of the citation from the jury of architects that this year recommended to The Queen that the Royal Gold Medal for Architecture should be presented to the 71 year old Dutchman, Aldo van Eyck.

Although he is reasonably well known among architects van Eyck is not a household name. This is probably because he is more of a theoretical influence than a great builder. In fact until the early 1970's he had only one significant building to his credit, which was the childrens' home in Amsterdam. He is an odd figure and in many ways a curious choice for the Gold Medal.

He is considered by architects to be one of a group of thinkers who expressed their disaffection with the functionalist thinking of the early days of the modernism. Using the Dutch architectural magazine *Forum* he proselytised for the movement known as structuralism.

As in the philosophies of thinkers in other fields like Claude Levi-Strauss, architects were groping for a definition of underlying basic structures that supported cultural and more primitive relationships. What, you may well ask, has this to do with architecture? Aldo van Eyck and his followers tried to show that design is a searching process for archetypal solutions to problems of living. Somehow the neutrality of the modern movement did not seem to satisfy any desire for primitive archetypes.

On the other hand, any sort of Expressionism or historical reference was also unsatisfactory because such things are subjective and tend to be emotional.

The problem with architectural theorists is that their ideas have to be put to the test by their buildings. Aldo van Eyck has a mixed reputation in this regard. In the 1960's his childrens' home in Amsterdam was considered to be one of the most provocative buildings in Europe. It is now considered to be unusable for its original purpose: the citation says "time has been unkind to the orphanage" – in other words, its architectural innovations have rendered it necessary, after a relatively short life, for the building to be restored.

The general idea behind the orphanage was that children would live in a series of rooms around courtyards. The buildings are made from industrial vernacular materials and roofed by hundreds of square concrete domes.

The general atmosphere is both harsh on the surface and agreeably private on the plan. While he was building this cellular orphanage Mr van Eyck was also visiting the African tribe of the Upper Niger region known as the Dogon. He claimed that the primitive Islamic organisation of village communities had a great deal to offer a modern Western world that seemed to have forgotten so many community values. A great many very serious academics and others visited this seminal place despite its limited social success.

There were not many other buildings for a while, although a great many children's play grounds were to follow. In 1969 van Eyck designed a church that seemed to confirm to many that theory alone cannot produce a good piece of architecture.

The church of the Pastoor van Ars is in The Hague and looks like a remnant of an Arabian casbah that has been stranded in Holland. The church has no windows, no regular doors and is made of a decidedly porous concrete block that looks its worst in the low lying damp Netherlands. It is a deeply unattractive and much overrated building.

In Amsterdam it is possible to see a more successful achievement of van Eyck, which is again a social building – a home for single mothers, which is certainly much jollier than the early works. Red, blue, green and yellow windows and a sense of the scale of the traditional Amsterdam street make this his most successful and acceptable creation. This encouraging trend continues with the most recent designs for the European Space Research and Technology Centre at Noordwijk and some residential units for a psychiatric hospital, where there is an increasing sensitivity to the user.

Architects cannot resist honouring each other and this award is a recognition of an elderly theorist who has had considerable influence but not, in fact, built very many agreeable creations. Aldo van Eyck would win no prizes for spontaneous creativity. His laboured theories have sometimes worked in architectural terms but they have often failed: his influence is one to be regarded with caution. He talked a great deal in the recent past about the need for contemporary architecture to have a "labyrinthine clarity." We should still be questioning whether this is indeed what is needed.

Colin Amery


Aerial view of the ESTEC building in Noordwijk and its creator, Gold Medalist Aldo van Eyck

Don Giovanni

METROPOLITAN OPERA, NEW YORK

There are five Zeffirelli productions at the Met this season: the new *Traviata*, revivals of *Bohème*, *Otello* and *Turandot* and a new, million-dollar *Don Giovanni* which opened last Thursday. It was paid for by Mrs. Donald Harrington, a Zeffirelli admirer, for whom the Met auditorium is now officially named. Other Zeffirelli productions frequently revived in it are *Falstaff*, *Cav and Pag* and *Tosca*.

The *Giovanni*, like the one Zeffirelli produced for Covent Garden, is designed in heavy, Baroque, symmetrically frontal scenes, which dwarf the singers and the drama, but it is much richer and grander. There are three scene changes during the overture alone: from a Buontalenti cloudscape to a Bernini architectural vista to the towering, gilded grilles and columns outside the Commendatore's palace. It is a handsome, mechanically efficient (the sets change before one's eyes, during dim-outs, without much waiting), but grandiose production. The Met audience breaks into applause – through the music – as new scenes, after a sliding from the wings and a dropping from the flies, are revealed.

Except as a technical spectacle, the evening was curiously unengaging. The most interesting character was Masetto, played with vocal and dramatic resource by Julien Robbins. Dawn Upshaw, the Zerlina, is a delicate and delightful artist, but she should not be wasting her time and her talents at the Met, in whose huge spaces her personality and her voice get lost. Ferruccio Furlanetto, the Leporello, came across; his vocalism was sometimes approximate, but his playing and his inflexions were strong and lively. Jerry Hadley's coloratura was not sure or sweet enough to justify the inclusion of "Il mio tesoro."

Carol Vaness, the Anna, had an off-night, with tones that turned raw when, in the earlier scenes, she sought to be fiery; she all too evidently found "Non mi dir" hard going; nothing flowed easily, freely, and excitingly, and the character remained subfusc. Karita Mattila's Elvira had a few moments of poignancy, but she seemed vocally in a mess: now bottled-up in tone, then out of tune, then suddenly – despite her distorted Italian – accurate and eloquent.

And the Don? He was Samuel Ramey, who is always difficult to write about. Why is one grudging about someone with so firm and splendid a voice? It rang out as well as I have ever heard it. At the age of 48, he retains the physique of Mozart's "extremely licentious young cavalier." And yet, and yet . . . There are producers who have got real performances out of Mr. Ramey – Strehler did in *Figaro* and Robert Carsen, they say, did in *Mefistofele* but Zeffirelli had not turned him into a Don Giovanni. We had a display of his excellent voice, and of his abundant hair (extended to his waist by the wigmaker), and of his figure – but no hint of an arresting character.

Zeffirelli puzzles me. The man who galvanized Joan Sutherland into an unforgettable Lucia, and who seemed to feel every musical move of *Falstaff* now wows audiences with lavish spectacle that, although it is intelligently conceived, and in its way dramatic, passes over what makes opera live – the singers' communication with the audience – and relies on decor to carry the dramatic message. Could anyone who cared more about the cast than about the visual images have designed this *Giovanni* with four broad front-stage steps that pushed so much of the action upstage?

James Levine conducted. He is a busy, much-employed musician. This month he has been conducting the Vienna Philharmonic in Carnegie, in Mahler, Mozart, Berg, and Brahms; and conducting *Die Entführung* at the Met; and rehearsing and then conducting *Don Giovanni* and accompanying Christa Ludwig's Carnegie Winterreise while also preparing the *Ring* cycles due to open the week after *Don Giovanni* And he is an able musician, with a good sense of loud and soft, fast and slow. But neither in *Die Entführung* nor in *Don Giovanni* did he reveal any particular sense of Mozartian dramatic engagement or any specific response to what the singers of the night were doing.

Andrew Porter

Scottish Ballet

THEATRE ROYAL, GLASGOW

Scottish Ballet gives its new programme the somehow sporting title of "Ballets by World Masters". But it is the glens rather than Gleneagles that are the setting for *Scotch Symphony* by Balanchine (who, with Petipa, is one of the two masters in question), an adorable work and a sound repertory choice for the company.

It was created – to the last three movements of Mendelssohn's symphony – in the wake of New York City Ballet's visit to the Edinburgh Festival in 1952. What we see, and delight in, is a capriccio about ballet's Scotland, haunt of a sylphide and a squad of Highlanders in full fling.

Mendelssohn provides Balanchine with two lively movements and a blissful adagio, and Balanchine responds with no less lively entries for a corps de ballet and a soloist, and as the ballet's heart, a mysterious meeting for a sprite and a cavalier. What makes the piece so memorable is the hint at some drama – never explicit, never stressed – that inspires moments of choreography that haunt the viewer with strangest emotional persistence.

The elusive sylph, the ardent lover, are clichés: Balanchine renews them, and in the work's most memorable grouping, shows the sylph in a bower of dancers which gradually unfolds and disperses. It is inexplicable, and ravishing.

The Scottish Ballet dancers – led by Judy Mohekey and Robert Hampton – are honest in performance; the ballet is a gem.

So, of course, is the other Balanchine piece, *Who Cares?* This is a marvel, reminding us that Balanchine was in his time a master at staging Broadway musicals, as well as a master (as the programme's title asserts) of classical ballet.

So showbiz variations, pas de deux, ensembles bounce sunnily on stage – and are sunnily danced by the company – as Gershwin's melodies, and ah! what melodies, are very well played by the company orchestra under Guy Hamilton. (It is worth noting that this orchestra numbers 70 musicians: Mendelssohn and Gershwin are excellently served and, thus, so is Balanchine).

There are inevitable memories of NYCB's artists in certain songs, but I salute Clare French and Rebecca Fletcher as leaders of a cast clearly delighted in what they were doing, the dance free, happy, and heart-lifting to watch.

The programme is completed by the Grand Pas from *Paquita* as staged by Oleg and Yelena Vinogradov.

This is essentially the Kirov text, but it demands Kirov style, Kirov training and Kirov forces if it is to seem anything other than a dutiful display of good intentions and careful technique.

The Petipa variations are absolutely exposed, and nothing but the grandest assurance will serve if they are to make theatrical sense.

I thought that Clare French did honourably by the leading ballerina's solo. Everyone else seemed willing, but there was an eager, unfocussed air about it all, as of bob-a-job week.

Clement Crisp

The Crucible

ROYAL EXCHANGE, MANCHESTER

The modest stage space of the Royal Exchange has been put to advantage by Gregory Hersov in directing Arthur Miller's The Crucible. The ring of insistent eyes all round the bedroom where Betty Parris lies comatose after her adventures with the Devil emphasises the feeling that the play is not only private but public, not about some particular folk but about a community, even a nation. Every excitement of this exciting play seems aimed at ourselves individually.

It begins at once when the village preacher's daughter pretends possession after being surprised dancing in the forest with other girls, and it swells until scores of the villagers of Salem, Massachusetts face, in 1692, the awful alternative, to confess to consorting with the Devil or to be hanged for offences they are wrongly accused of. The fact that the accusations are made as a kind of team sport by irresponsible children makes it easy to compare the Salem witch-hunt with social or political prejudices of other times, and it is to Hersov's credit that he makes no such suggestion, any more than Miller did.

At the centre of the plot, David Schofield gives a John Proctor coherently decent but never better than a provincial farmer, save when he becomes over-sentimental in his final scenes with his wife.

Proctor has much to bear. His wife Elizabeth (Eleanor David) suspects him of flirting with their servant Abigail Williams, and Abigail (Rosalind Bennett, handsome and cold) is the leader of the gang of teenage girls who are taught by the black slave Tituba (Susan Aderin) to practise, or to pretend, witchcraft. When they do practise it, in the court, we see they are pretending, but this is not 1692.

The Proctors' girl, Mary Warren (Theresa Boden), is prepared to testify at the witchcraft trials that her friends were faking.

At the trial, their imitation of diabolical possession is so alarming that poor Mary is compelled to go along with the others. Proctor tries to halt this by accusing Abigail of whoring, when his wife is in court and she has only whored with him.

The Reverend John Hale, who comes to investigate the stories of witchcraft and gets involved first one way, then another, is well done by David Allister, a preacher as holy as Betty's father, the Reverend Parris (Philip Whitchurch), but less self-centred, less theocratic. There is an array of good playing as Salem villagers, each one truly individual.

They are given only a faint American tinge to their voices; they have only recently settled, and what they are speaking is Miller's beautiful prose, not everyday speech. Proctor still drops his aitches, while Barry Foster, as the Deputy Governor who presides at the trials ("those that will not confess will hang"), is a correct aristocratic Englishman. I think a good deal of the playing is too loud; perhaps this will wear off as the players associate themselves even more with their parts.

Crucibles are not uncommon in this 75th birthday year of the author. I cannot visualise one that I should find more impressive than this.

B.A. Young

John Brown's Body

TRAMWAY THEATRE, GLASGOW

For a moment it looks as if writer John McGrath – he of *Border Warfare*, recently televised – has gone sentimental on us. His rumbustious new pageant of Scottish working life and struggles starts with a contemptuous look at the post-Culloden anglicisation of the wealthier Scots and the sufferings of the (by implication) patriots who had supported Bonny Prince Charlie. Getting in the first swipe at those all-purpose villains to the south, he passes over what the '45 stood for: Stuart despotism, repressive Catholicism and the savage factionalism that had made Scotland ungovernable by the Scots for centuries.

This is polemical theatre at its most partisan, where the obverse of all-flailing attack is evasion of inconvenient facts; but where the Scotch mist of tendentiousness is constantly pierced by exhilarating shafts of theatrical brilliance.

Pamela Howard's design lines the walls of the hangar-like tramshed with an undulating catwalk, a switchback for the roller-coaster of history. Boats, mines, locomotives, mills – the grim landscape of industry materialises effortlessly, stalked by the grotesque spectral figures of hunger (foetus visible in the exposed organs), homelessness, disease and crime (a huge whip-grasping hand eternally linked to its bowed and brutal victims). The music is marvellous, from mock 18th century strains to work songs through folk, with new music by the company.

For all its effective iconoclastic passion and Wagnerian dimensions, the piece comes up with no solution, only a catalogue of wrongs. It surveys Socialism in a wider, British context only to knock it down - Wilson and Callaghan as well as Keir Hardie are found wanting. The images that linger are of repression: whether nightmarish prison régimes or the chilling regulations of the porhouse, evincing a contemptuous distaste towards the unfortunate that sounds all too familiar in legislation today. Documentary statements are still the most potent: shameful fact, harrowing history. Elsewhere there are moments when a halfway sensitive Englishman is made to feel like a stormtrooper in a synagogue. *John Brown's Body* addresses a broad canvas but seems to be looking through the wrong end of a telescope. And the image of the wee Celtic David squaring up to the Anglo-Saxon Goliath is congealing into shortbread tin iconography, along with Charlie, heather and Mary Queen of Scots.

Martin Hoyle

Alastair Muir

Petula Clark

Someone Like You

STRAND THEATRE

The latest West End musical is L-Plan furniture, Mateus Rosé, supermarket food, Terry Wogan, man-made uppers, Tupperware, Trust House Forte, blue rinse and holidays in Tenerife. It is synthetic, bland, serves a modest purpose, is calculated not to push a large number of nice people over the high British threshold of complaint, and is firmly second-rate.

Tim Goodchild's set has a picturesque story-book clutter: a porch facing ramshackle and semi-ruined outbuildings. These house an ad hoc hospital "at the end of the American Civil War." It is West Virginia, which explains the characters' somewhat variable accents and the occasional pastiche Country and Western strains.

The Major, a doctor, copes devotedly with the wounded and the attentions of Susannah, a flighty belle to whose dying brother he promised to care for her.

Enter the star, modestly planting herself behind a minor, if bulky, character where she remains masked for a few moments. This is Petula Clark whose music to Dee Shipman's lyrics form the show's basis.

The book is a novelettish concoction by director Robin Midgley and Fay Weldon: woman in search of vanished husband arrives with son, works as nurse, falls for doctor, finds husband, now a neer-do-well purveyor of bad drugs, infested blankets and sexual innuendoes, finds she isn't married after all, and submits to tearful farewells as the wretched authors draw things to a close by clearing superfluous figures off the stage by the shovel.

The score never quite bursts into the promised tunefulness, though a rousing company number, "Picking up the pieces", verges on the catchy and a regretful ballad for Susannah, "Without you," shows off Jane Arden's prettily warm voice. But there is a factory-made quality to the score.

The morality is odd: the villainous bigamist is given an angry speech about segregation in the south for the so-called free blacks which is somehow meant to compound his villainy.

The characters' motives are non-existent, moving them around the plot like chess-pieces. The actors do their best. Dave Willetts' harassed hero hints at a past as a theatre critic as he darkly declares, "I've seen things I'd never believe man capable of". He displays presence and voice singing how easy love is. Miss Clark, unfailingly British, would be better in concert.

Miss Arden's spirited flibbertigibbet undergoes baffling character-changes at the drop of a diphthong but is ultimately touching as she concedes, "It's over isn't it? It never even begayn." Yes, well.

Martin Hoyle

ARTS GUIDE — March 23-29

MUSIC

London

Kappelye Klezmer Ensemble directed by Neil Levin. Mizrahi, Malovany, Miller (cantors), Vivienne Bellos (soprano). The New York Jewish Choral Ensemble. The voice of Jewish Russia (Wed). Queen Elizabeth Hall (928 8800).

Paris

Orchestre Philharmonique de Radio France conducted by Gilbert Amy, Robert Fontaine (clarinette) Pierre-Laurent Aimard (piano). Debussy, Frederick Martin, Ligeti, Giraud (Mon). Radio France, Grand Auditorium (42301516).

Nikita Magaloff (piano). Mendelssohn, Scriabin (Tue). Salle Pleyel (45638873).

Quatuor Intercontemporain. Webern, Boulez, Bartok (Wed). Radio France, Studio 106 (42301516).

Janos Starker (cello) Alain Planes (piano). Dohnanyi, Bach, Brahms (Wed). Théâtre des Champs Elysées (47203637).

Quatuor Artis. Mozart, Bartok, Mendelssohn (Wed). Salle Gaveau(45632080).

Orchestre de Paris and Ensemble Intercontemporain conducted by Semyon Bychkov and Peter Eotvos. Kurtag, Alsina, Berio (Wed, Thur). Salle Pleyel (45630796).

Amsterdam

Royal Concertgebouw Orchestra with Viktor Liberman (violin), Mariss Jansons conducting. Weber, Prokofiev, Berlioz (Wed, Thur). Concertgebouw (718 345).

Utrecht

Amsterdam Baroque Orchestra conducted by Ton Koopman. Bach (Wed). Vredenburg (31 45 44).

Brussels

Leningrad Symphony Orchestra conducted by Alexandre Dmitriev with Dmitri Berlinsky (violin). Beethoven, Borodin and Shostakovich (Mon). Palais des Beaux-Arts.

Belgian National Orchestra conducted by Stanislaw Skrowaczewski with Silvia Marcovici (violin). Barber, Mozart and Shostakovich (Thur). Palais des Beaux-Arts.

Antwerp

Shostakovich Quartet performing the full cycle of his string quartets (Tues, Wed). De Singel.

Leningrad Symphony Orchestra conducted by Alexandre Dmitriev with Dmitri Berlinsky (violin). Beethoven, Borodin and Mussorgsky. (Wed). Koningin Elisabethzaal.

Berlin

Virtuosi Saxoniae and Ludwig Guettler (trumpet). Fasch, Vivaldi, Heinichen and Bach (Mon). Philharmonie.

Milan

Salvatore Accardo (violinist) and Bruno Canino (pianist) playing Mozart sonatas (Mon). Teatro alla Scala. (80.91.26)

Leslie Howard (pianist) in 'Liszt at the opera', transcriptions and paraphrasings of Bellini, Donizetti, Gounod, Handel and Mozart (Wed). Conservatorio G. Verdi (76001755).

Rome

Umberto Benedetti Michelangeli conducting Schumann with Mario Brunello (cello) and Mozart (Sat-Tues). Auditorium in Via della Conciliazione (6541044).

Madrid

Madrid Symphony Orchestra conducted by Cristobal Halffter. Palau, Gomez, Rimsky-Korsakov (Tues). Auditorio Nacional de Musica (337 01 00).

Munich Motettenchor and Residenzorchester, and Escolania Nuestraseora del Recuerdo. Conducted by Hans Rudolf Zobeley. Bach programme (Wed, Thur). Auditorio Nacional de Musica (337 01 00).

Barcelona

New American Chamber Orchestra conducted by Misha Rachlevsky, with Alvaro Campos (cello). Rossini, Haydn, Janacek, Cervello (Wed). Fundacion Caja de Pensiones (317 57 57).

Orquestra Ciutat de Barcelona conducted by Franz-Paul Decker, with Nigel Kennedy (violin). Hindemith, Elgar, Debussy. Palau de la Musica Catalana (301 11 04).

New York

The Cambridge Singers conducted by John Rutter with Wayne Marshall (piano). Bach, Britten, Rossini, Faure, Elgar (Mon); Philadelphia Orchestra conducted by Riccardo Muti with Barbara Hendricks (soprano), Neil Courtney (bass). Berlioz, Wagner, Scriabin (Tue). Carnegie Hall, (247 7800).

New York Philharmonic conducted by Christof Perick with Kyung Wha Chung (violin). Weber, Sibelius, Beethoven (Tue); Charles Dutoit conducting with Joshua Bell (violin). Stravinsky, Prokofiev, Shostakovich (Thur) (874 5770).

Washington

National Symphony Orchestra conducted by Sir Neville Marriner. Bax, Mendelssohn, Vaughan Williams (Tue); conducted by Jerzy Semkow. Berlioz, Lalo, Rachmaninov (Thur). Kennedy Center Concert Hall (467 4600).

Speculum Musicae. Elliott Carter, George Crumb, Stefan Wolpe, Milton Babbitt, Leon Kirchner (Wed). Kennedy Center Terrace Theatre (467 4600).

Chicago

Baltimore Philharmonic Orchestra conducted by David Zinman with Isaac Stern (violin). Berlioz, Dutilleux, Prokofiev (Mon). Orchestra Hall (435 6666).

Chicago Symphony Orchestra. Erich Leinsdorf conducting. Debussy, Mozart, Webern, Tchaikovsky (Thur). Orchestra Hall (435 6666).

Tokyo

Shinsei Nihon Symphony Orchestra, conducted by Yuji Takahashi. Works by the Soviet composer Sofia Gubaidulina. (Tues). Suntory Hall (479 2887).

NHK Symphony Orchestra, with Rudolf Buchbinder (piano). Schumann. (Wed, Thur). NHK Hall (465 1780).

FINANCIAL TIMES

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Monday March 26 1990

The need for a British role

THE EFFECTIVE dissolution of the Soviet bloc, bringing as its consequence the unification of Germany, confronts western Europe with new challenges.

The European Community has not only to absorb a sudden increase in the territory and population of its largest and richest member-state, but also to respond to the hopes placed in it by the central and eastern European peoples, and to decide where its eastern frontier will ultimately be drawn. More immediately, it faces strains resulting from a sudden shift in its internal balance of power.

Germany is not only reuniting but expecting to recover its full sovereignty, shaking off the last trammels of defeat and occupation. As Germans rediscover a national pride which for 40 years had been repressed, their self-assertion collides with the reawakening fears of their neighbours about the inherent meaning of German power, and also with the habits formed, particularly in France, during the long period when German co-operativeness could be taken for granted.

In the security field, existing European structures are even more profoundly shaken. Nato faces not only internal strains but questions over its very *raison d'être*. Yet while European security problems have changed in kind, they have certainly not disappeared.

Seldom has European statesmanship been more obviously in demand. Yet the supply seems short. Although the European Community is often, and correctly, cited as embodying the right approach to all these problems, the Franco-German relationship on which its stability has rested looks dangerously frayed.

Foreign policy

Britain, to which both France and Germany have looked in the past as a counterweight against each other, should at this point be well placed to act as a steadying influence and a source of ideas. But unfortunately the moment finds Britain preoccupied with relatively trivial domestic problems, under a Prime Minister who has always been much more conservative (with a small "c") in her approach to foreign policy than in her attitude to economic and administrative problems. Doubly unfortunate that her style, much admired in some parts of the world, has won her more enemies than friends within western Europe. Triply so, that her attitude to European integration has almost invariably been expressed in negative and nationalistic terms.

Monetary union

Certainly Britain is right not to accept adherence to the Delors Plan on monetary union, or to other formulations of Mr Jacques Delors's federalist philosophy, as the only criterion by which its European commitment can be judged. The trouble is that Britain has not come up with a sufficiently positive and inspiring European vision of its own. The Single Market is an excellent idea, and does indeed require further effort on all sides if it is to be successfully implemented, but *as an idea* it predates the changes in east and central Europe, and cannot credibly be trotted out as a response.

What is needed is a strategy for gradually integrating at least the central European countries (Czechoslovakia, Hungary and if possible Poland as well as East Germany) with the west European economy and society, holding out full membership of the Community as the eventual goal.

What is also needed is a plan for the effective and democratic government of the Community, but one that could be achieved by exercising national powers more effectively in common. For instance a permanent Council of Ministers might be established, with members who would have cabinet rank in their own countries, as well as a second parliamentary chamber composed of delegations from national parliaments.

No less important is an analysis of the new security needs of western Europe, and a proposal for a new military structure within the Atlantic Alliance that would be better adapted to those needs than the present Nato structure.

In all these three areas Britain could and should make a key contribution, if only it would break free from the parochial conservatism of its present world outlook.

US retreat in microchips

A MEDIUM-SIZED takeover in a relatively obscure branch of the US electronics industry would normally pass almost unnoticed. However, the recent joint purchase by six companies, including IBM and Du Pont, of one of Perkin-Elmer's semiconductor equipment divisions is an alarming measure of how far the Japanese onslaught in electronics has forced the US onto the defensive.

Perkin-Elmer, once the world leader in chipmaking equipment, now ranks eighth in an industry dominated by Japanese suppliers. Though its technology is well-regarded, it concluded late last year that it could no longer afford the investment required to stay in the business and put it up for sale. When no US bidder materialised, the six companies hastily banded together to keep the technology out of Japanese hands. A similar rescue of another Perkin-Elmer division is under discussion.

The joint purchase has been justified as a strategic imperative, aimed at preserving some US independent capacity in a sector which has already been ravaged by a severe shake-out. Otherwise, it is claimed, American customers would be at the mercy of vertically-integrated Japanese suppliers who would refuse to share their latest production technologies.

It is difficult to judge how well-founded such fears are. Silicon Valley has cried wolf before. It argued that Japanese chipmakers would use their domination of D-Ram production to hold US customers to ransom and undermine national security. Yet, for much of last year the world market was awash with D-Rams. Though supplies have tightened recently, there is no evidence that this reflects anything other than a normal adjustment in a notoriously cyclical business.

Vulnerability

However, there is a danger that a growing sense of vulnerability and anti-Japanese sentiment will lead the US industry increasingly to turn to the government for salvation. Pressure is already mounting for controls on Japanese takeovers, while Washington is also being urged to take the lead in developing "strategic" commercial technologies and to throw its weight – and taxpayers' money – behind collaborative industry programmes.

Flexibility

Though the Bush Administration recently relaxed anti-trust restrictions on joint research and production, it has so far refused to take a more interventionist stance. It maintains that it is up to the US electronics industry to solve its own problems. That task would only be made harder by recourse to protectionism or by the intercession of a federal bureaucracy which, in any case, is poorly equipped to carry out industrial policy.

On that, the administration is indisputably right. Japan's strength in electronics, as in other industries, owes little nowadays to government largesse. Its companies have thrived because of their commitment to long-term strategic goals, flexibility in responding to market trends and the quality of their management. They also owe much to their close, mutually reinforcing, links with customers and suppliers. The recent failure of US Memories, a D-Ram production consortium, for lack of industry support underlines how much American companies have to learn in that respect.

However, US industry's biggest handicap of all is financial. Chipmaking is a ferociously capital-intensive industry, in which each new product requires higher investment than the last. Japanese companies have stayed in the game, thanks to patient shareholders and the availability of reasonably-priced funds. Their US competitors are increasingly victims of short-term stock market horizons and the high cost of capital. That was why Perkin-Elmer decided to sell out – and why it had such difficulty finding an American buyer.

It is unclear what can be done about the first of these problems. But responsibility for the second lies squarely in Washington. So long as it balks at taking action to cut the federal budget deficit and encourage saving, the US electronics industry will remain at a crippling disadvantage – and its demands for government intervention will continue to grow.

Beginnings of a farewell to arms

David White and **Lionel Barber** begin a series on the shake-up in the US defence industry

Like sections of the Berlin Wall, pieces of the US arms industry are being offered for sale.

Ford, with its Ford Aerospace operations, Chrysler and Honeywell are among the vendors. Companies with defence activities peripheral to their main line of business are starting to want out. But there has been no rush by other US companies to snap them up. Others more deeply committed to doing business with the Pentagon are speculating as to how many of them will survive intact.

Epochs are about to end. Ponder the names: Lockheed, Northrop, Grumman, long-standing builders of fighters and bombers, formidable lobbyists. It is an open question which, if any, of them will get through the 1990s still in the business of designing and making their own aircraft.

Lay-offs have been announced in recent months at these and other defence contractors, including General Motors' electronics subsidiary, Hughes Aircraft, and United Technologies' helicopter manufacturer, Sikorsky Aircraft.

"I would say that there will be a shake-out in the defence industry," says Mr Donald Atwood, the veteran former General Motors executive drafted in last year as Deputy Defence Secretary. He predicts a wave of joint ventures and corporate alliances.

So far, proposed procurement cuts have only snipped at the edges of the Pentagon's shopping-list for new equipment. But as the Democrat-controlled Congress pushes for more response to the changes in eastern Europe, the brand-new budget prepared for the fiscal year starting in October is already being revised to accommodate more spending reductions.

The projection for US defence spending over the next five years was reduced in January by some $167bn, compared with the Bush Administration's first version last year.

Inflation-adjusted military spending has been dropping ever since the peak of President Reagan's arms build-up in 1985. The process, the result of cuts by Congress, has now turned into a deliberate build-down. It has happened before, notably following the Korean War and the Vietnam War. But this is the first time the Pentagon has ever proposed continued real-terms reduction over such a long period.

The Pentagon's $295.1bn budget authority request for fiscal 1991 – the limit for new spending commitments it can take on – is a 2.6 per cent drop in constant money terms and almost 16 per cent below the 1985 level. (The figure excludes a proposed $11bn for military nuclear work performed by the Department of Energy.) At the end of five years, defence outlays – the amount actually spent in a given year – are due to be down to less than 22 per cent of total US federal expenditure – the lowest proportion since 1940.

The old rationale for defence efforts against the Soviet Union has collapsed, without a new rationale to replace it

That projection is based on continuing cuts of 2 per cent a year in real terms. But, whether given by the Administration or taken by Congress, the cuts are likely to be larger – more like 5 per cent, analysts believe.

"There is no question but that we will be procuring less from the defence industry," Mr Atwood says, although he wants the Pentagon to keep up or increase its support for research and development.

"The real unknown," says Mr Tom Young, new president of the Martin Marietta weapons systems company, "is what is the slope of the decline and where it will level out."

An analysis published by Washington's Brookings Institution suggesting defence spending could be cut to $160bn in inflation-adjusted dollars in 10 years has gained some credence among Democrats in the House of Representatives. Other defence experts believe that with a US-Soviet treaty on long-range nuclear arms, the figure could be in the $200bn range in five years.

In the short term, however, Congress's scope for moving money away from defence is limited by the workings of the Gramm-Rudman deficit reduction law. If Administration and Congress fail to agree on budget proposals, automatic cuts are triggered to meet deficit targets, with half of the amount taken from defence. If that meant less damage than Congress was threatening, the Administration could easily invoke the process. It therefore has the perverse effect of setting a floor for defence spending.

How much of the cuts would come out of equipment programmes is unclear. Since hardware "accounts" spread spending over long periods, immediate savings in outlays are more easily obtained from changes in force structure. But this can be painful. Most of the 35 military bases in the US which have this year been slated for closure are in Democrat districts.

A standard complaint in Congress – dismissed as "foolish" by one senior defence official – is the lack of a clear vision to guide defence choices. The old rationale for the scale of defence efforts against the Soviet Union has collapsed, but there is no new rationale to replace it.

There is a feeling that the reduced threat – recently confirmed in congressional testimony by CIA director, Mr William Webster – was not factored into the budget submission. Only in part do the proposals reflect the changes: elimination of two army divisions in the US; a shorter deployment schedule for the US Army's Apache attack helicopter; and, above all, the ending of the requirement for Abrams tanks.

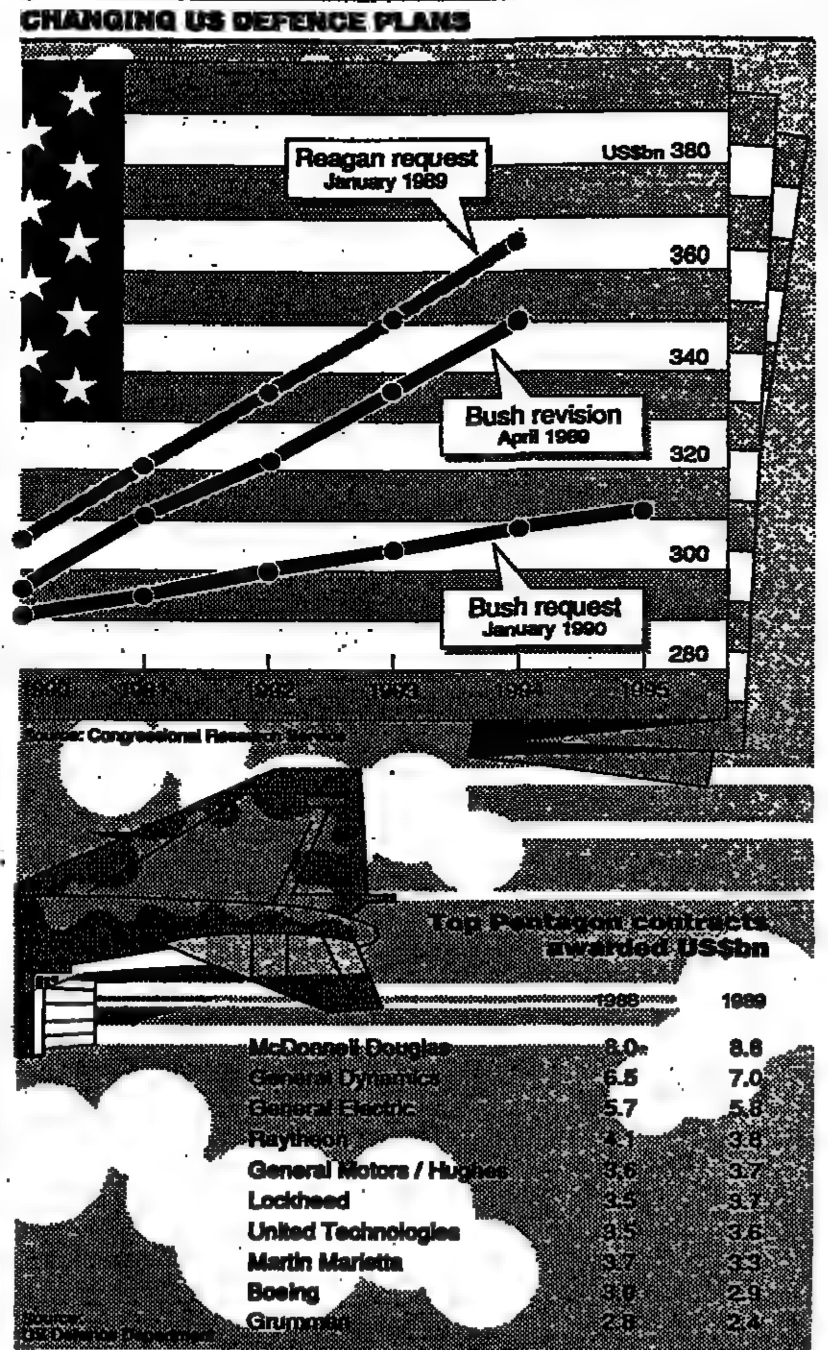
General Dynamics' two tank plants would be left relying on exports (to Egypt, Saudi Arabia and possibly Britain). If pending export orders fall through, the plan is to mothball them. From 1993, the US would be without active tank production for the first time since the Second World War, 4,000 people would be laid off and, according to the company, some sub-contractors could go out of business forever.

On the other hand, projects for next-generation equipment have been largely preserved, even though much of it is also geared to the European theatre.

Mr Gordon Adams, director of the Defence Budget Project, a non-profit research body, says the Pentagon is "flying blind another year."

The medium-term spending targets have yet to be fleshed out. Cuts already announced, and official estimates of the resultant savings over five years, account for less than half of the $167bn projected reduction. The rest has still be be identified.

CHANGING US DEFENCE PLANS



	1988	1989
McDonnell Douglas	8.0	8.6
General Dynamics	6.5	7.0
General Electric	5.7	5.8
Raytheon	4.1	3.8
General Motors / Hughes	3.6	3.7
Lockheed	3.5	3.7
United Technologies	3.5	3.6
Martin Marietta	3.7	3.3
Boeing	3.0	2.9
Grumman	2.8	2.4

Source: Congressional Research Service; US Defense Department

Management reforms announced in January are aimed at chipping almost $40bn off the defence bill in five years, by cutting overheads, reducing paperwork and streamlining the handling of contracts. This involves dropping 18,000 civilian and 24,000 military posts, out of more than 500,000 who work buying equipment for the US forces. Mr Atwood sees scope for economies over and above this, for instance by amalgamating payroll systems. But Mr Adams says he cannot work out how the target figures are arrived at.

"There is no black magic," Mr Atwood admits. "There is no phenomenal one-step thing that's going to fix it all. It's going to be a series of continuous improvements."

Like an ocean liner under full steam, the Pentagon takes a long time to turn around. In his two annual budget proposals, Mr Dick Cheney, the Defence Secretary, has "killed" a total of 20 weapons programmes. Last year they included the Bell/Boeing V-22 tilt-rotor aircraft and the newest version of Grumman's Tomcat carrier-based fighter, the F-14D. Congress kept them alive; this year they are back on the list.

"Some of these programmes are like Dracula. You have to drive a stake through their hearts to make sure they're dead," says Mr Adams. This year's debate is likely to bring more piecemeal alterations.

Certainly, the Strategic Defence Initiative will again receive less than requested, and the *ambitious* range of strategic weapon plans will be a prime target. These include the two concurrent programmes for intercontinental missiles on mobile launchers and the planned fleet of B-2 "stealth" bombers, each costing almost as much as the annual defence budget of Mexico.

An urgent Pentagon review of the B-2, on which about $30bn has already been spent, is under way along with three other aircraft projects. These are the Advanced Tactical Fighter (ATF), a successor to the F-15, being developed by two rival teams; the A-12, a highly-classified General Dynamics/McDonnell Douglas project to replace the Navy's Grumman A-6 medium bomber; and the McDonnell Douglas C-17 strategic airlifter, which has work parcelled out to 14 states. As planned so far, they would cost a total of well over $200bn.

Study groups are due to complete their work this month, and Mr Atwood expects firm recommendations by May 1. At stake is the future shape of the aerospace industry. Northrop is heavily dependent on the amount of funding it gets for the B-2. It and Lockheed lead the two teams competing for the ATF, the latter in search of a new aircraft project to follow its F-117A stealth strike aircraft used in the invasion of Panama in December. The whole concept for the new air-superiority fighter is in some question.

Mr Atwood promises it will be a "top-to-bottom" review. Others doubt if it will bring radical decisions, but even if all are broadly preserved it will not necessarily bring comfort for the industry. "A lot of existing programmes will be squeezed very low," one executive forecasts.

Grumman, which produces at two plants on Long Island, is not the only company at risk of finding itself with no new aircraft to its name. The list of prime contractors for military aircraft producers is rapidly boiling down. Out of seven, LTV, which incorporated the former Chance Vought company, long-established supplier of Navy aircraft, and Rockwell International, following the B-1B bomber, are already effectively on the sidelines.

In missiles, too, the US has a clutch of seven or eight companies competing for an increasingly tight market.

Mr Atwood wants to leave it to industry to sort itself out and combine forces. "The Department of Defence does not have a defence industrial policy," he insists. It would only interfere "in a very unique case," to preserve a crucial technology or manufacturing capability. "We feel we have an obligation to foster the technology here, to ensure that we have a practical capability here to do it."

Most US defence companies are heavily in debt, hit by changes in tax rules and squeezed by fixed-price contracts

The trouble is that few US defence companies are in a fit financial shape to play a forceful role and to take up the acquisition opportunities now presenting themselves. Most are heavily in debt, hit by changes in tax rules which mean they can no longer defer tax on unfinished projects, and squeezed by fixed-price contracts in which they have had to share the development costs.

Mr Atwood believes the shared-risk policy has penalised companies and led them to scrimp on engineering design efforts. "I think it's the wrong thing and I think it's going to mean we have to pay more of the development costs, or all of the development costs ourselves."

Such a change will be welcome news for defence contractors, but the Fords and Honeywells are not waiting around for it to happen.

Further articles in this series will appear on the foreign pages.

OBSERVER

A surprise to us all

■ Put yourself in her position. The British Prime Minister, along with her party, is right down in the opinion polls. There is very little good news – and probably none on the economic front – to look forward to in the next few months.

You know that that you have a reputation for stubbornness, for digging in when the going gets rough. Usually, it has paid off: the Falklands war and the miners' strike, for examples. You know that you have been through mid-term blues before and have come out on top.

Yet, being on the inside, you know something that many others do not. You have not always been stubborn. Some of your greatest triumphs have come from being flexible: the settlement in Rhodesia, for instance. You know that you have a capacity to surprise, for suddenly and unexpectedly doing the right thing at the right time – like challenging Edward Heath for the leadership and winning.

You also know that you have often said to yourself – even if you have not admitted it much in public – that the test of a leader is to know when to go, and you always hoped that you'd get that one right. You must be thinking about it now.

You know as well that a lot of people are saying that the Tory Party would have a better chance of winning the next general election if you were to stand down. Do you really want to risk hanging on and taking the party to defeat, when you could go soon with dignity? At the very least, a new Tory leader, two years before the election, would give the Labour Party something to think about.

What does Denis think? After all, you have often said that he is your best and closest adviser.

That is why I would not be surprised if Margaret Thatcher were to step down as Prime Minister around the beginning of July – the timing because it would allow the Party to choose a successor before the end of the Parliamentary session, before the holidays and before the Party conference.

Trabbi trail

■ West Germans may have a certain affection for the Trabant – or Trabbi – the car that brought thousands of East Germans to the Federal Republic. The insurance figures, however, show that the vehicle has taken its toll. There were more than 4,000 accidents involving the slow-moving Trabbis and West German cars, seeking to overtake them, last November and December, more than in the whole of the previous year.

Opec's move

■ An Austrian Government snub of the Iraqi Oil Minister, Issam al-Chalabi, has led to a flap about where the next Opec meeting will be held.

Chalabi has proposed moving the venue of the next Opec meeting from Vienna to Geneva after Wolfgang Schüssel, the Austrian Economics Minister, cancelled a meeting with Chalabi at the last minute in protest at the execution in Baghdad of Farzad Bazoft, the Observer journalist.

Cancellation of the meeting was leaked to the Austrian press during the Opec meeting a week ago and, according to Platt's, the oil news agency, this has particularly incensed Iraq.

Taking an unusually bold stand on international issues, Austria condemned the execution in a statement from the Foreign Minister, which called it "completely incomprehensible and inhuman."

"It's where I keep my poll tax rebate."

Saudi Arabia has publicly backed Iraq over the execution, along with the Arab Cooperation Council. But delegates from some of the other Opec members were privately appalled by it.

Opec now has block bookings at hotels in both Geneva and Vienna and will have to await the decision by Opec's 13 Oil Ministers. They had earlier voted to meet on May 25 in Vienna, the seat of the Opec secretariat.

Protest vote

■ This has been an extraordinarily dirty general election, even by Australian standards, and we still do not the final result. Every last vote matters, even those of the couple of thousand people stranded by a hurricane on Saturday and who had to vote on Sunday.

Australia is one of the most elected countries in the world – parliamentary elections every three years at least, let alone Senate, state and municipal elections. Some Australians think even that is not enough and would like the opportunity to kick the politicians out every year.

The frequency of the elections helps to explain why Bob Hawke, the man who may still be Prime Minister, seems to have been around for ever. In fact, the former Rhodes scholar has been an MP for less time than Margaret Thatcher has been Prime Minister of Britain, having entered Parliament in 1980 at the age of 50 after 11 years as leader of the trades union movement.

Voting is compulsory. There is a A$50 fine on anyone who stay aways from the polls or spoil their ballot paper. But this, too, can have a perverse effect. It may have led to voters turning away from mainstream politics and politicians. Thus Helen Caldicott, a former Labor candidate standing on an anti-nuclear platform, caused a big upset by unseating Charles Blunt, the leader of the National Party side of the coalition, in the New South Wales country seat of Richmond.

The system is also complex. Voters must vote for *all* the candidates and parties in order of preference; so in a close result the preferences other than the first become crucial. The rising Green lobby could sway it all by having given its second preference to Hawke's Labor Party. But we may have to wait a couple of days to be sure.

Smart pub

■ A gorilla goes into a pub and orders a pint of lager. The barman serves him, but charges £5. "Lovely day," says the gorilla. The barman grunts his assent. The gorilla orders another pint and is again charged £5. By about the third pint, the pair of them have been through a certain amount of increasingly friendly chit-chat. "What do you think about the poll tax?" and so on. Then the gorilla gets up to leave. "We don't get many gorillas coming in here," says the barman. "At £5 a pint, I'm not surprised," says the gorilla.

Lucy Kellaway asks if the Commission is equipped to apply EC merger regulations

Old game, new referee

Procedures under new EC merger regulation

Notify the Commission of the deal within one week of announcement of bid

Deal suspended for next three weeks unless Commission requests longer period

Commission decides within a month from notification whether to start investigation

Four months later Commission delivers verdict

In a big functional office in Brussels a British lawyer has been getting in to work early and staying late. Mr Colin Overbury, a competition policy expert at the European Commission, has been leading a team charged with transforming the 25 articles of the EC's new regulation "Control of Concentrations between Undertakings" into a functioning system of merger control.

There is not much time. The regulation, which was agreed triumphantly last December after 16 years of haggling, will come into force on September 21 this year. The Commission must by then be ready to examine some 40 to 50 mega-mergers a year and in each case decide within four weeks whether or not to investigate, and to deliver a final verdict within four months.

The Commission is a relative novice at the mergers game, and has been seeking the advice of the Monopolies and Mergers Commission in the UK, of West Germany's Federal Cartel Office and of other old hands. It is busily drawing up guidelines on how it intends to implement the regulation, and is casting about for around four dozen or so new staff well versed in merger control.

Meanwhile it has already started to "shadow" the new rules. It refrained from looking at the Coats Viyella/Tootal merger last November on the grounds that it fell below the regulation's threshold, whereas bigger deals such as Nixdorf/Siemens are being investigated as much as possible as if the new rules were already in place.

While the Commission has been wondering how the new system will work, so too have acquisitive companies both inside and outside the Community. Every law firm in Brussels has spent the last three months picking through the regulation in response to inquiries from clients contemplating European takeovers. The more they look at the rules, the less they seem to like them.

The regulation is much more complicated than it appears, providing for a maximum of 30 different decisions that the Commission could take on any single case. Every one of those could be challenged in court, and in most of the areas it is not at all clear how the Commission will employ its new powers. Try as the lawyers might, they are finding it hard to present the regulation into the simple flow chart form that can be easily grasped by their clients.

"The regulation will remove many of the uncertainties which have bedevilled merger control in the Community over the past two years, only to replace them with a new set of uncertainties," concludes a heavy document recently put out by Linklaters & Paines, the City lawyers.

The aim was to make merger regulation simple: to provide the famous "one stop shop" control. Merging companies would either shop with the Commission or at home, but not with both. At first sight, the regulation sticks fairly close to its aim. The Commission will have sole power over big mergers, while member states will have sole power over smaller ones. Big is defined to cover mergers with a combined turnover of over Ecu5bn (£3.75bn) with EC turnover of each company of at least Ecu250m, and with no more than two thirds of the EC turnover of each in one and the same country.

There are three exceptions to this neat division: the Commission can examine a merger below the threshold if invited to by a country that does not have its own mergers body; national bodies can look at mergers passed by the Commission if national interests are at stake; or if competition in local markets is threatened.

Although the Commission has stressed that the exceptions will be rare, not everyone is convinced. "I think the regulation is a great disappointment. The one-stop principle is not there. It has simply multiplied the layers of regulation, and encouraged member states like Belgium, Spain and Portugal without strong merger rules to start to introduce them," says Mr Jean Russotto, a mergers expert at Oppenheimer, Wolff & Donnelly. The Linklaters report agrees that genuine one-stop control will be the exception, not the rule.

It not clear how neatly the rules will fit with the existing national merger rules, and clashes may well occur. For example, the definition of a "concentration" to which the rules apply is not identical to that used by member states. The regulation talks of a company exerting a "decisive influence" on another, which may turn out to be different from the UK's notion of "ability to control," or the formal idea of control on which German law is based. This means a company progressively increasing its stake in another might trigger successive examinations in different places.

There is also the problem of criteria. Even though Sir Leon Brittan, the Commissioner with responsibility for overseeing mergers, has repeatedly stressed that competition will be the only grounds for deciding whether to bless or block a deal, lawyers remain concerned that the regulation will allow the Commission to take other factors into account such as the Community's "technical and economic progress". However, as the regulation explicitly says that competition must not be tampered with the Commission will be unable to use the rule as a tool of industrial policy.

Non-EC compannies are also getting samnxious about how the rules will affect them. It is quite possible that two US companies, each with the required amount of sales in the Community, but with no Community presence, could merge. While such a case would certainly fall within the rules, it has yet to be seen how seriously the Commission would pursue its powers in such a case.

Two important documents currently being drawn up in the Commission should provide the answers to some of these questions. The most important will be the notification form that any company likely to be caught by the rules will have to fill out and submit to the Commission. It is hoped that the form itself will be a lengthy series of leading questions that should give a clue to how the Commission is going to interpret the rules.

Just as eagerly awaited are guidelines on joint ventures. The regulation makes a distinction between "concentrative" joint ventures and "co-operative" joint ventures, a hazy difference that urgently needs clarification. In the first case, Commission merger rules apply. In the second – where the joint venture has been set up simply so as to co-ordinate competitive behaviour – the deal will not count as a concentration at all, and will be dealt with as hitherto, under articles 85 and 86 of the Treaty of Rome.

Despite all the uncertainties about how the Commission will operate its new rules, many companies may well prefer the devil they do not know to the devil they do. Siemens, for example, has seen the worst of the untidy old system, when its joint bid for Plessey had to get seven different anti-trust clearances, some of which – including the Commission's – are still pending. It has suggested that companies may deliberately change their corporate plans so as to have their deals examined by the Commission within the scope of the rules. At a conference organised by the *Centre for European Policy Studies in* Brussels, Mr Juergen Lindemann of Siemens said: "It may be better to concentrate than to co-operate. And don't be too modest; you'd better take control."

There are also doubts as to whether the Commission might not have taken on a little too much. It is planning to hire an extra 40 to 50 senior executives to deal with what it expects to be a similar number of enquiries. "That is only one person per merger, and given how quickly they will have to move, I doubt if it is enough," said one London-based merger expert.

Whether or not the Commission has enough people to cope may depend partly on how the lawyers themselves advise their clients. Cynics might say that the legal profession is over-estimating the complexity of the regulation, with an eye to fees. As companies must notify the Commission of any deal that might fall within the regulations – failure to do so means a fine – lawyers may encourage their clients to notify even when it is clear that the deal is not caught by the rules. Some 300 deals a year may be parcelled off to Brussels, which could stretch to breaking point the Commission's mergers team.

Plenty of other uncertainties remain. One is that the regulation will be an open invitation to insider trading. Before the Commission hands down its acutely price sensitive verdict on any given case, it must be put to a committee of representatives from all member states. Mr Overbury denies that this is a problem: the Community has just agreed insider trading rules, and the Commission employees already have a code of conduct, he says.

Yet the Commission seems to be approaching its task in a pragmatic spirit. The national merger bodies, after some initial carping, appear to be co-operating with a view to replacing a system that is chaotic with one that is quick, clear and efficient.

LOMBARD

High time to 'buck up' despite Mid-Staffs

By Samuel Brittan

UK visible trade volume	% change Exports	Imports
Latest 3 months on previous 3 months	3½	–1
Latest 6 months on previous 6 months	7½	0
Latest 3 months on same period previous year	11	½
1989 on 1988	10	8
1988 on 1987	4	14

Seasonally adjusted, excludes oil & erratic items. Source: CSO

A FAMOUS leader of the former Independent Labour Party, Jimmy Maxton, once remarked "If you cannot ride two horses at the same time, you have no business being in the bloody circus."

That was how I reacted to being quoted in support both by the Chief Secretary, Norman Lamont, and the Labour front bench Financial Spokesman, Paul Boateng, in last Wednesday's debate on the Budget. Mr Boateng cited my strictures on the mess into which exchange rate and monetary policy has descended; and Mr Lamont cited my remark that a nation in which the main economic problem is that the shops are too full of goods that people can afford to buy is hardly experiencing an economic tragedy.

The key to reconciling them – and to running the two horses in harness – is that not everything that happens is due to government policy.

Mrs Thatcher's famous instincts fail her completely when it comes to many of the specifics of economic policy. She shares Labour's balance of payments hang-up, while contributing a few obsessions of her own, such as the one about domestic rates which landed us with the poll tax, and an obsession with not managing exchange rates.

The result is that the UK looks like going into the next election with an underlying inflation rate not very different from the present 6 to 7 per cent range, as a result of a vicious spiral by which sterling depreciation begets inflation and high interest rates so that the time seems never ripe to join the EMS, if the Government insists on getting inflation down first.

Inflation at the rates now likely is, of course, a damaging nuisance – if only because it allows no safety margin for shocks and emergencies. Moreover high and variable inflation feed back into the real economy, as well as contributing to the odd by-election defeat. But it is still not the be-all and end-all.

After the present growth recession the economy should move back to its new underlying growth rate. Meanwhile, the trade figures – as those who have followed my teenager's guide will know – have *continued to show the effects* of the slowdown in domestic demand.

Export volume is rising at just into double-digit annualised rates, whether the last three months are compared with the previous quarter or the previous year. The growth of import volume, on the other has, has ground to a standstill.

The rapidity with which exports and imports have responded to a moderate home market squeeze confirms that the surge into deficit reflected excess demand, and not an overvaluation of the pound. For what it is worth, twice as many of the industrialists questioned in Thursday's Financial Times survey believed that sterling was undervalued against the Mark as believed it was overvalued.

It is precisely because so much of the demand squeeze is being offset by higher exports and restrained imports that underlying inflation remains so high. To get inflation truly down, a much larger margin of slack would have to be created, involving a real old fashioned recession maintained for some time, or some other shock imposed such as a link with a low inflation currency area.

But despite the clear evidence of the trade gap shrinking toward sustainable levels some people received the figures sourly because the CSO put in "zero" for its dummy estimate of invisibles, which are normally added to the visible balance. This seems a reasonable compromise between projecting forward the invisible deficit shown in the fourth quarter, and anticipating the recovery to modest surplus expected by the Treasury.

Invisibles fell in 1989 because of unusually large payments to the European Community and temporary setbacks to sectors such as insurance. But the scare about invisibles disappearing is nonsense at a more fundamental level.

A factor in the decline of invisibles has been the increase in interest payments to overseas funds attracted to London partly to cover the current payments deficit. Yet it is very curious that in 1989 the value of net UK overseas assets rose, according to the Red Book, by £29bn to £110bn – the increase being much larger than the recorded payments deficit and much larger than can be explained by the fall in sterling.

The point is that inward investment in London contains a large banking and securities element, where the return comes in the form of interest payments. UK overseas investment on the other hand is largely direct or equity and the return comes in revaluations and capital gains which are not shown in the official current balance of payments figures.

Suppose that there were a zero balance in goods and services, but Britain attracted funds into interest-bearing deposits, which were then recycled abroad in direct and portfolio form? The business could be extremely profitable. Yet the statistics would show a continuing deterioration in the balance of payments on interest, profits and dividends.

Those whom the Gods wish to destroy, they first give balance of payments statistics.

LETTERS

West German factors in East Germany's election

From Mr Colin Wolfe.

Sir, While not wanting to dispute the resounding farewell which the East Germans gave to their former Communist system, there are several points which make the results of the March 18 poll difficult to analyse in the longer term.

Chancellor Kohl's offer of parity between the D-Mark and the East German Mark undoubtedly had a large effect on the poll. This was for both ordinary common-sense financial reasons as well as the psychological attraction for East Germans of suddenly having access to what was previously an expensive and hard-to-obtain currency.

The only party that could offer this parity and put it into practice in the near future was the party in power in West Germany. Its allies in the East were bound to benefit. Thus the East's Christian Democratic Union (CDU) and its partners were in an artificially stronger position than the East's Social Democratic Party (SPD) because promises outside anyone's real control in the East were being made by their associates in the West.

These points make the East German poll unusual quite apart from its momentous and historic nature and result. Political circumstances and strategies in West Germany probably interfered, intentionally or unintentionally, to an unknown but considerable extent.

While East Germans clearly rejected communism and fervently embraced democracy and reunification, it would be difficult to say what the long-term patterns of voting will be once the CDU loses the special attractions that only the West German party-in-power could provide.

Colin Wolfe,
Korenveldlaan 8,
Dilbeek,
Brussels

Healthy cash flow to Australia's pension funds

From Mr Don Stammer.

Sir, Lex ("Tough times for the lucky country," March 19) says: "Australian pension funds as a class are at present overfunded to the extent that few are receiving any cash flow at all." Certainly, some pension schemes – those based on "defined benefits" – are currently overfunded. However, the majority of Australian pensions are not defined benefits.

With an increasing coverage of the working population in the pension net, cash flow into pension funds – excluding investment income – now runs at well over A$ 10bn a year. With investment income also of well over A$ 10bn a year, assets under management by Australian pension funds – currently around A$ 110bn – are now increasing at a little over 20 per cent a year and this compound rate of increase is likely to continue.

Lex errs also when it says: "Since mid-1986, domestic (but not foreign) investors have enjoyed the benefits of imputation tax on dividends." Foreign investors receive imputation credits against withholding tax on dividends: if the company in which they have invested pays a high rate of Australian company tax, those dividends are free of withholding tax to the non-resident investor.

Don Stammer,
Bain & Company Ltd
Sydney, Australia

Pay delayed

From Mr Peter Jupp.

Sir, I was amazed to receive a letter recently addressed to our credit controller from a major company, as follows: "We have been reviewing our trade supplier payment terms and we are writing to inform you of the changes we are making to your terms to bring you into line with our other suppliers. Your account will now be paid on 90-day monthly terms."

If small businesses are forced into bankruptcy because of bully-boy tactics by major companies, it does nothing to help the business community survive a recession.

My company has a policy of paying small suppliers on 30 days. If business cannot adopt suitable ethics, then legislation should be brought in to allow companies to charge interest on money outstanding.

Peter Jupp,
Managing Director,
Ralton Ltd,
Stephenson Road,
Groundwell,
Swindon, Wiltshire

Export credit subsidies on Europe-wide terms

From Mr Adrian P. Hewitt.

Sir, Peter Montagnon says ("Exporters urge rethink on ECGD changes," March 16) that it will be a long time before the European Commission forces national export credit agencies to trim their losses and so end competitive export credit subsidies. Is 1992 a long time away?

The logic of the single market requires that any export credit subsidies which are deemed worthwhile should be arranged on standard Europe-wide terms. Competition internal to the Community for softer credit insurance terms between the Export Credits Guarantee Department, Hermes, Coface, etc should best be eliminated by the disbandment of these agencies in favour of a single, European, export credit guarantee agency to facilitate European exports.

Perhaps Mr Nicholas Ridley is enough of a European to recognise this. It could well explain his lukewarm attitude to the ECGD and its losses. He must already be used to the expressions of "dismay" and "desperation" from the exporters Mr Montagnon cites who are dab hands at getting export subsidies by other means.

Adrian P. Hewitt,
Overseas Development Institute,
Regent's College,
Regent's Park, NW1

The preparation of trade statistics in the single European market

From Mr J.L.T. Davies.

Sir, It is intended that the move towards the European single market in 1992 will bring significant changes in the statistics for the reporting of intra-EC trade by member countries, but no firm proposals have yet been made by Community countries as to how such information will be collected and recorded.

It seems strange that the European Commission, which in the past has been criticised for its attention to the minutiae of Community affairs, should on this occasion neglect to suggest any but the most elementary framework for monitoring this important aspect of EC activity after 1992.

One wonders whether this is not a deliberate policy aimed at strengthening the hand of the Commission in its dealings with member countries, since in the absence of any worthwhile information on trade within the Community, the only reliable data available will in future concern the Community overall. The attitude of the UK Government in seeming to support this approach will paradoxically reinforce the Commission, since without proper data for the UK, the Government will be less able to argue its case when UK interests are at variance with those of other members of the Community.

In the most recent issue of its Business Bulletin the Central Statistical Office reports on a survey of users and suppliers of trade data from which it appears that there is substantial enthusiasm for the retention of the existing statistical approach to this problem. This involves the full disclosure of all export/import detail to HM Customs so that that department may continue to prepare a full set of data on monthly UK trade.

With less than three years to go, it is in any case most unlikely that any new system can be agreed and introduced before the beginning of 1993 and any claim that it will involve less work than before will be difficult to substantiate.

It is not often that one can advocate a policy of no change as being the best, the easiest and, indeed probably the only solution to a problem; but with regard to the future provision of international trade data, this is certainly the case.

J.L.T. Davies,
General Manager,
World Bureau of Metal Statistics,
27a High Street,
Ware, Hertfordshire

FINANCIAL TIMES
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German unification process

Kohl to press for sharper Nato cuts

By David Marsh in Bonn

MR HELMUT KOHL, the West German Chancellor, will this week press Mrs Margaret Thatcher, the UK Prime Minister, to accept a timetable for much sharper than planned cuts in Nato armies and nuclear weapons in the Federal Republic as part of the process of German unification.

With senior ministers from the two sides, Mr Kohl will be meeting Mrs Thatcher in Cambridge and London on Thursday and Friday in the latest regular consultations between the two Governments.

The disarmament proposals - certain to revive Mrs Thatcher's fears of a "denuclearised" Europe - form part of Bonn's efforts to bring the European defence and security environment into line with rapid internal political moves towards a united Germany.

According to a senior official close to Mr Kohl, the new East German Government under Mr Lothar de Maizière, the Prime Minister-designate, is expected next month to declare formally its intention of seeking "accession" to West Germany under Article 23 of the Bonn constitution.

The formal legal step to become part of West Germany would not however be taken until the beginning of 1991, after agreement on the external aspects at a summit of the signatory states of the Helsinki accord, likely to take place in November.

East Germany's accession might take a further two to three years to accomplish fully. But in practical terms unification is likely to be consummated by all-German parliamentary elections some time next year, the official said.

On the security questions, Mr Kohl wants Nato to press forward with a new round of European disarmament talks, tackling short-range nuclear missiles and the presence of all foreign troops on German soil - including the British and French forces, excluded from the current Vienna negotiations.

Bonn accepts that Soviet forces in East Germany could remain on East German territory for a post-unity transition period of perhaps three to five years. However, the West Germans believe that Moscow might be prepared to withdraw its troops sooner if the Soviet Union was offered firm evidence in other areas that the West was speeding up disarmament.

Mindful of the pressures on President Mikhail Gorbachev from nationalist and economic problems, Bonn is anxious to find solutions for East Germany which "save face" for Moscow. "We must not give them the impression that they [the Soviets] are losing the Second World War 45 years afterwards," the official said.

New disarmament talks would follow on quickly from the expected conclusion in Vienna this summer of a first conventional arms reduction accord between the Soviet Union and the US.

By suggesting an immediate mandate for "Vienna-2" negotiations, Bonn aims to accelerate markedly the planned schedule for discussing the future of short-range nuclear weapons.

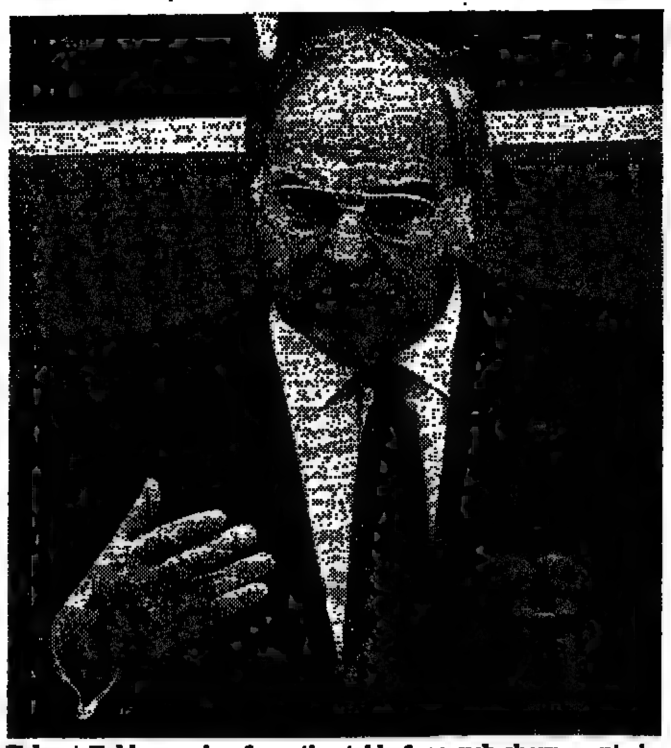
Under a compromise agreed at the Nato summit in May, the alliance agreed to postpone any negotiations on short-range nuclear missiles until the first Vienna conventional force agreement was on the way to being implemented.

Nato also agreed to delay until 1992 a decision on whether to modernise the ageing US Lance short-range nuclear missiles in the Federal Republic. The US and Britain now accept that, because of the rapid momentum towards German unity, the Lance weapons will not be upgraded.

Non-replacement of Lance, with early talks on reducing overall stocks of short-range nuclear missiles, would almost certainly lead to abolition in the medium term of all land-based nuclear missiles in Europe.

Elimination of these weapons has long been backed by the Soviet Union. Britain, France and the US, on the other hand, have consistently opposed "denuclearisation" because it would hand the military advantage to the Soviet Union's strong conventional forces.

Britain and the other Nato countries may be forced into a compromise under which a continuing nuclear presence on German soil would be maintained solely through air-borne nuclear missiles launched through Nato aircraft.



Helmut Kohl: pressing for a timetable for much sharper cuts in Nato armies and nuclear weapons in the Federal Republic

THE West German Government wants to bring in monetary union with East Germany by the summer, if possible by July 1, officials confirmed at the weekend. There is, however, some doubt whether negotiations with East Berlin can be concluded before the target date of the end of April.

Thatcher faces growing tax storm

By Philip Stephens, Political Editor, in London

THE POLITICAL storm facing the Thatcher Government over the UK's new local government community charge, or poll tax, looks set to intensify this week.

The weekend brought a spate of opinions polls which showed that the opposition Labour Party had established a record-breaking lead over the Government.

Amid further calls from senior ministers for Conservative MPs to "keep their nerve," Labour intends to use two House of Commons debates to exploit further the damaging electoral impact on the Government of the tax.

Their efforts will be reinforced by evidence of significant splits within Conservative ranks about how far the Government should use its powers to hold down poll tax bills in high-spending areas by using its power to "charge-cap."

Mrs Margaret Thatcher, the Prime Minister, moved again to dampen speculation about her future by insisting that the Government would recover from its present low and she intended to lead it into the next general election.

Her comments came as the latest opinion polls appeared to indicate that the Government would recover much of its lost popularity if it was led by Mr Michael Heseltine, the former Defence Secretary.

Yesterday some backbench Tory MPs suggested that Mr Heseltine, who quit the Cabinet in 1986 over the future of Westland helicopters, should be brought back as party chairman but the idea was dismissed by senior party figures.

Mr John Major, the Chancellor of the Exchequer, promised better times ahead with his prediction that interest rates next year would be "materially lower" than the present 15 per cent and he insisted that Mrs Thatcher's position remained secure.

In an interview with the Financial Times, Sir Geoffrey said that if the Prime Minister was challenged for the leadership he had no doubt that she would react with the same "firmness and success" as in last year's contest.

In private, however, ministers agree that there is little prospect of ending the speculation while the Government's position in the opinion polls is so precarious.

The latest batch of opinion polls show that Labour has a lead averaging about 24 points, the largest recorded since national opinion polling began. They also suggest that a sharp fall in the Prime Minister's personal standing is proving a significant factor in persuading voters to switch their allegiance.

Labour has firmly established a popularity rating of above 50 per cent while the Conservatives have slipped below 30 per cent. No Government has recovered from the position that Mrs Thatcher's finds itself in [illegible]

Labour, still celebrating its victory in last week's by-election in the Midlands, intends to treat the local elections in May as a referendum on the poll tax.

Mr Chris Patten, Environment Secretary, will announce in the next week or so how many local authorities he plans to "charge-cap" but there are indications that whatever he decides will leave many Conservatives unhappy.

Mr Nicholas Ridley, Environment Secretary, voiced the views of a number of MPs when he said that local authorities should be left to bear the responsibility for excessive charges but many others want Mr Patten to use his powers extensively.

Howe's not for turning, Page 42

Wang family to retain holdings

By Alan Friedman in New York

THE FAMILY of Dr An Wang, the 70-year-old founder of Wang Laboratories, yesterday reacted to his death on Saturday by saying it would retain its majority shareholding control of the struggling minicomputer manufacturer.

The family also pledged its continued support for Wang's financial restructuring plan.

The Wang family, with directors and top officers of the Lowell, Massachusetts-based company, controls 82.8 per cent of Wang's publicly quoted Class C voting stock and 22.9 per cent of the quoted non-voting Class B shares.

Wang – beset last year by a sales decline in the world computer market, a shift by customers from high-margin minicomputers to lower-margin personal computers, bloated overhead costs and a $575m burden of bank debt – reported a $424.3m loss on $2.87bn revenues in the financial year to June 30.

The company incurred losses of $72.6m in the first half of the current financial year, but claimed it would return to profits by this summer.

Wang has slashed its debt burden sharply since August, when Dr Wang renegotiated its credit lines and eased out his own son Frederick as president.

To replace his son Mr Wang brought in an outsider for the first time in a decade – Mr Richard Miller, a veteran of RCA and General Electric who had previously run GE's consumer electronics business.

Mr Frederick Wang, speaking on behalf of the heirs to Dr Wang, yesterday guaranteed full support for Mr Miller. He said the Wang family believed "the long-term plan now being implemented to return the company to profitability will achieve its objective" and that the plan "remains the best means to maximise stockholders' value in the company."

Mr Miller, a respected manager who prospered at Jack Welch's GE, won plaudits on Wall Street for his decisive action to sell off Wang assets and slash the company's workforce from 28,000 to 22,500.

The various asset disposals will bring Wang's debt down to less than $93m, the company said yesterday.

Recently Mr Miller sold 30 per cent of Wang's Taiwan subsidiary for $160m, the whole of Wang's lease-financing operations for $250m and various real estate holdings.

Obituary, Page 3

Prospect of fall in UK interest rates by 1991

Continued from Page 1

ally lower at the beginning of next year, the middle of next year, the end of next year and in 1992."

When asked whether sterling was strong enough to combat inflation, the Chancellor repeated his view that he did not have to react to every short-term movement of the financial market.

Although financial markets were somewhat calmer by Friday, City of London analysts consider that sterling will remain vulnerable to changes in international sentiment this week, particularly in the light of opinion polls that point to a massive loss of support for the Conservative Government.

On the same BBC programme, Mr Roger Bootle, chief economist of Midland Montagu, suggested that Mr Major's expectation of lower interest rates early next year could also weaken the pound.

Sterling may also be caught up in international financial uncertainty this week following Friday's apparently inconclusive talks in Los Angeles between Mr Nicholas Brady, US Treasury Secretary, and Mr Ryutaro Hashimoto, his Japanese opposite number, which failed to produce any pointer to action that would curb the weakness of the Japanese yen.

Mr Hashimoto said the two governments had reconfirmed their co-operation in managing currency markets in the wake of the fall of the Tokyo stock market. He called for a firm agenda to be drawn up soon for a meeting next month of the Group of Seven.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	17	63	Dubrovnik	F	18	64	Malta	S	[illegible]	[illegible]	Rhodes	S	[illegible]	[illegible]
Algiers	C	16	61	Edinburgh	C	6	43	Manchester	F	[illegible]	[illegible]	Rio de J'o	–	–	–
Amsterdam	R	6	43	Faro	S	21	70	Manila	–	–	–	Rome	C	17	63
Athens	S	19	66	Florence	C	15	59	Melbourne	S	30	86	Salzburg	C	[illegible]	[illegible]
Bahrain	F	24	75	Frankfurt	C	9	48	Mexico City	–	–	–	San Francisco	C	[illegible]	[illegible]
Bangkok	–	–	–	Funchal	C	16	61	Miami	F	18	64	Seoul	F	[illegible]	[illegible]
Barcelona	Dr	13	55	Geneva	C	7	45	Milan	F	17	63	Singapore	F	33	91
Beirut	–	–	–	Gibraltar	S	19	66	Montreal	C	-3	27	Stockholm	F	7	45
Belfast	C	7	45	Glasgow	F	7	45	Moscow	R	9	48	Strasbourg	F	9	48
Belgrade	F	22	72	Guernsey	F	9	48	Munich	C	4	39	Sydney	C	23	73
Berlin	F	7	45	Helsinki	F	8	46	Nairobi	F	26	79	Taipei	–	–	–
Biarritz	F	11	52	H. Kong	F	27	81	Naples	F	18	64	Tangier	S	[illegible]	[illegible]
Bombay	S	28	82	Innsbruck	Sl	3	37	Nassau	–	–	–	Tel Aviv	F	[illegible]	[illegible]
Bordeaux	F	12	54	Inverness	C	6	43	New Delhi	S	24	75	Tenerife	F	[illegible]	[illegible]
Brussels	R	4	39	Islamabad	–	–	–	New York	F	3	37	Tokyo	S	[illegible]	[illegible]
Budapest	S	15	59	Istanbul	S	16	61	Nice	F	15	59	Toronto	F	-4	25
B. Aires	–	–	–	Jakarta	–	–	–	Nicosia	F	19	66	Tunis	F	[illegible]	[illegible]
Cairo	S	22	72	Jersey	C	9	48	Oporto	S	18	64	Valencia	C	17	63
Cape Town	S	26	79	Jo'burg	R	22	72	Oslo	F	11	52	Venice	R	14	57
Caracas	–	–	–	Lima	–	–	–	Paris	R	7	45	Vienna	R	13	55
Casablanca	S	19	66	Lisbon	S	17	63	Peking	–	–	–	Warsaw	R	[illegible]	[illegible]
Chicago	S	-4	25	London	R	9	48	Prague	F	6	43	Washington	Sl	[illegible]	[illegible]
Cologne	C	5	41	Los Angeles	C	14	57	Reykjavik	R	5	41	Zurich	F	7	45
Copenhagen	–	–	–	Luxembourg	R	3	37								
Corfu	C	18	64	[illegible]	S	14	57								
Dallas	Dr	2	36	Majorca	S	17	63								
Dublin	C	8	46	Malaga	S	19	66								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Close finish in Hungarian poll

Continued from Page 1

cratic Forum, said: "Our chances are really excellent if the turnout is over 80 per cent. I feel happy at the moment."

Mr Gaspar Miklos Tamas, a leading member of the liberal Alliance of Free Democrats, said his party was "shakily confident" about forming the next Government.

The Free Democrats have an extra constitutency which could push the Hungarian Democratic Forum into third place behind the Smallholders. Fidesz voters are likely to switch to the Free Democrats in the second round

Charity begins at home for US public TV

By Raymond Snoddy

ACROSS the US, it's what viewers unkindly call "begathon" time on public television.

For more than two weeks emotional on-air pleas for money interrupt programmes to raise funds.

But this is not for charity, but for the stations themselves, to supplement modest government funding.

"Your funding support is truly life and death for the continuation of the programme," says Robert Aubrey Davis, host of the weekly arts programme Around Town, on Washington's WETA.

That evening the programme offering also included, from London Weekend Television, a re-run of Reilley Ace of Spies and an episode of Yes, Prime Minister from the BBC.

With the help of the appeals fund Mr Aubrey Davis raised from 596 viewers between 8pm and 11.30 pm a total of $34,640: $36 buys membership of the station, baseball hats come at $60.

A different set of 35 volunteers from the community each evening man banks of telephones and take the pledges. When the main pledging season ends on March 18, WETA hopes to have raised $700,000 from its viewers.

In Atlanta, Georgia, the Public Broadcasting Station goes one stage further. A Julie Andrews special doesn't go ahead until the pledging target for the programme has been reached.

"I don't think anyone who actually participates in a pledge drive would say they enjoy it," says Mr Daniel Agan, vice president of national programming at PBS, which commissioned national programmes for the 337 fiercely independent non-commercial stations that make up the public television system.

However apparently degrading it may seem, on-air pledges represent a significant slice of station income, around 22 per cent on average - and the amount raised this way has risen from about $55m in 1975 to an estimated $400m now.

Apart from sheer necessity public broadcasters believe a wide diversity of funding sources help to protect the independence of a system which takes money from the government.

It also appears to impose a considerable degree of accountability. If the audience does not like or trust the programmes, the pledges would dry up.

In the financial year 1988, which provides the last official figures available, public television had revenues of just over $1bn, of which $185.7m came from the Federal government.

In that year, individual subscribers came up with $242m with the rest coming from foundations, colleges, local government, auctions, and business. Businesses donated $178m and in return get sponsorship mentioned on-air.

The Federal Communications Commission has, however, tightened up the rules to prevent overt advertising on public television. The on-air credit can say a company helped to pay for the making of a programme but should "identify rather than promote" its business.

More than 20 years after the founding of public broadcasting in the US - there are also 387 public radio stations - the remarkable thing is that the system has survived, and in a reasonably stable state.

However, in financial and audience terms it is a poor relation of commercial broadcasters and dependent on imported programmes for about one third of the prime time schedule.

Public broadcasting's $1m revenues compared with $28bn for the US television as a whole. It has, however, survived grant cuts during the Reagan years and the explosion of new televison channels on cable networks.

PBS gets an average share of more than 3 per cent of the prime time audience and four out of every five American households watch some public television every month.

But the main potential danger in the longer term are revived plans for direct broadcasting by satellite. Mr Rupert Murdoch's News Corporation, part of a satellite consortium called Sky Cable, eventually promises to offer 108 channels which can be picked by a tiny dish aerial all over the US.

If that happens, claims made during the Begathon that it is a matter of survival for public television could really start to come true.

THE LEX COLUMN

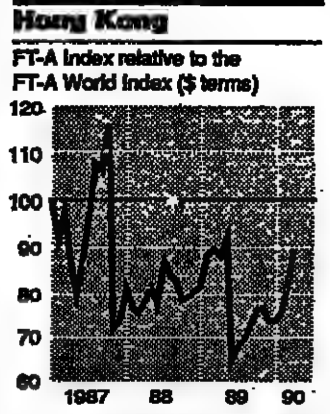
Rose-tinted views from Frankfurt

It is about as easy these days to track down gloomy equity market commentators in Frankfurt as it is to find a cheap hotel room in West Berlin. Troubling war-stories, to the effect that Nomura was ditching German shares, flitted briefly through the market on Friday. They then vanished, leaving the DAX index still up 2.2 per cent on the week at 1932 and local forecasters still talking about 2,100 or more by year-end.

Among West German financiers, at any rate, the early crude arguments about the inflationary impact of monetary union with East Germany have gone, in favour of a new consensus. This says that the Bundesbank will do the job quite tidily on Sunday, June 17, the expected date of currency union; that inflation will be no more than 4 per cent at worst in 1991; that reunification will entail no more than a manageable addition of, say, DM10bn to DM20bn per annum to West Germany's budget deficit; and that, *ipso facto*, bond yields have peaked.

All this could be true as far as it goes, yet still not make a fool-proof case for those euphoric predictions of where German equities will be at the year end. At its present level, the DAX is on a price-earnings ratio of only 14.2 times this year's earnings. Anything over 2100 on the DAX will require a p/e in the upper teens. German equities sustained those ratings for more than 15 years from 1957 onwards; but there lies the rub. Investor expectations for equities depend on a re-enactment of the economic miracle of the 1950s and 1960s. In esoteric situations like Salamander, a German shoe manufacturer with production in the East, the p/e of 24 times is already asking even more.

Even granted that the Bundesbank has probably lost little authority amid all the messy politics, it remains true that prognostications of what a unified economy will look like are stabs in the dark, as are expectations for corporate earnings. Too many of the crucial issues are political. If there is to be another economic miracle, there also needs to be the social consensus that existed in the 1950s. Yet those forecasts of the public sector deficit depend on assumptions of unemployment in East Germany rising to no more than 20 per cent or so. If that is an average, the figure could be much higher in the worst-affected sectors, such as steel, chemicals and farming, with all that implies for social tension. The East German voting patterns already showed some of that, with the old Communists strong in agrarian Neubrandenburg, and the SPD popular among public functionaries in Potsdam.



None of this means that German equities are due for a savage correction, or that long-term prospects are other than good. It is arguable that German equities are rather less reliant on panic-prone foreign money than conventional wisdom says. The Bundesbank's 1988 figures, the last available, showed only 13 per cent of the equity market in foreign hands, compared with 20 per cent owned by wealthy West German private citizens. All that said, political change is driving German equities, and there is ample room for upsets there. The DAX might well make 2,200, but could still be in for a bumpy ride.

Hong Kong

At times like these, investment bargains must be sought in unlikely places. The shadow of 1997 makes Hong Kong the last market to appeal to actuarial prudence. Indeed, the political imponderables make it uniquely hard to value. But on a one or two year view, it could be cheap all the same.

To an extent, the effects of the Tienanmen Square massacre can be separated from the economic fundamentals. Historically, Hong Kong's growth rate has been average for the Asian region, at about 8 per cent. This year it should be 3 per cent, which in Hong Kong terms is a recession.

This is partly due to the slowdown in world trade, particularly in the retail sector on which Hong Kong largely depends for its custom. But it is even more the result of the brakes being slammed on in the mainland Chinese economy, which happened a good six months before Tienanmen Square in response to runaway growth and rocketing inflation.

China has been here before, and the correction has proved healthy. But it looks unlikely that Hong Kong will go on to resume growth in line with the regional average: a figure of 5 or 6 per cent looks more likely. It is here that the economic effects of Tienanmen Square start to show themselves.

At best, the transition to union with China on the basis of one nation and two systems must involve discontinuity. If Hong Kong's brain drain and loss of confidence go on, the discontinuity could be happening not in 1997 but straight away. Hong Kong's local optimists point out with some asperity that very few other countries can see their economies seven years ahead either, and that in terms of political stability Hong Kong is not obviously inferior to the Philippines, whose stock market valuation is nearly twice as high. But however logical the arguments, they are of no relevance if they fail to persuade the locals themselves.

The effects should not be exaggerated either. Other countries are unlikely to take more than 80,000 Hong Kong emigrants a year, a figure which would at least be made good by the birth rate and permitted immigration from mainland China. A maintained population would do much to underpin property values, which form the basis of the Hong Kong stock market. Of the portfolios of quoted Hong Kong property companies, a good 60 per cent is residential.

Above all, economic integration between Hong Kong and southern China is in important respects an established fact. Hong Kong designs the products, passes them back to the mainland for cheap manufacture, then takes them back for marketing and distribution. Living standards in southern China have thereby enjoyed an increase in the past decade which Peking must be wary of jeopardising.

It is nevertheless clear that Peking, if faced with a choice between high growth and political insubordination in Hong Kong or low growth and docility, would choose the latter. But the Hong Kong market is now on 10 times this year's earnings. The average for South East Asia – excluding the enormous multiples of Japan and Taiwan – is double that. As the locals say, it has never been wise to sell Hong Kong in a crisis. If all goes well, it is conceivable that the present crisis could prove almost the last.

FINANCIAL TIMES
COMPANIES & MARKETS
Monday March 26 1990

INSIDE

Berisford plans property buy-out

Berisford International, headed by Peter Jacobs (left), is expected to announce shortly a management buy-out of its UK property development arm for about £100m. The group, which owns British Sugar and has commenced merger discussions with Tate & Lyle, the UK sweeteners group, has reached agreement in principle to sell Berisford Property UK to Mr Cyril Dennis. He has held a 20 per cent stake in the division since May last year and is a former divisional director of British housebuilders Charles Church. Page 25

Faeroes dive deeper into debt

Standard Chartered Copenhagen is arranging a partially underwritten seven-year DM130m balance-of-payments loan for the Faeroe Isles. This dwarfs the Faeroes' last facility, a DM60m loan arranged in September 1988. The islands, a nominally independent grouping under the aegis of the Kingdom of Denmark, derive about 90 per cent of export revenues from fishing. They have a population of about 55,000 and, at that rate, the new borrowings involve debts of about $1,520 for every resident, far exceeding the per capita external debt of Brazil. Page 23

Wm Low to issue statement

The on-and-off talks about Wm Low's purchase of a number of shops from Isosceles, parent of the Gateway food retail chain, finally broke down on Friday. The Dundee-based supermarket group will today give details of why the discussions failed. The sticking point appears to have been price, though Mr Christopher Blake, Low's chairman, said he could not comment before the Stock Exchange announcement was made. Page 25

Open argument in Hong Kong

It has been simmering for some time. Now a row between the Securities and Futures Commission, Hong Kong's fledgling market watchdog, and the market practitioners it seeks to regulate has broken into the open. Angus Foster reports. Page 24

Market Statistics

Companies in this section

The scent of a bid on LVMH

George Graham on the wrangle within the French luxury goods group

The battle between Mr Bernard Arnault and Mr Henry Racamier for control of Moët Hennessy Louis Vuitton, the French drinks and luxury goods group, went back to the courtroom last week. Lawsuits have flown freely around LVMH since it was brought into being three years ago.

But away from the gilded ceilings of the Paris appeals court, and the no less gilded oratory of France's finest business advocates, came two reminders that more was at stake in this battle than the reputations of Mr Arnault, aged 41, the head of Financière Agache who took over as chairman of LVMH in January 1989, and Mr Racamier, the 77-year-old head of the Vuitton clan.

Last Thursday, LVMH announced its results for 1989 with net profits of FFr2.93bn ($510m), up 46 per cent from the previous year, proving that the lengthy power struggle at its head has not damaged its earning power.

Then on Saturday, details emerged of a plan launched last November by Mr Racamier, in alliance with l'Oréal, the world's largest cosmetics group, and the Paribas and Parfinance financial groups, to make a takeover bid for LVMH. Some Paris financiers believe the takeover plans may not have been finally shelved. They point out that the same groups are the partners of Mr Racamier in Orcofi, a company with resources of FFr7bn whose principal investments so far are the Lanvin fashion group and the Vuitton family stake of around 18 per cent in LVMH, held via the VIG holding company.

Supporters of Mr Arnault are convinced the aim of the bid was to break up LVMH, which would enable Mr Racamier to regain his family's Louis Vuitton luggage business. L'Oréal would take LVMH's Parfums Christian Dior scent operation, and the Hennessy cognac and Moët et Chandon champagne businesses would be sold to the highest bidder.

Documents prepared for the participants proposed buying up around 500,000 LVMH shares in the market for some FFr2.8bn with the aim of launching a public offer for two thirds of the company's stock, at a total cost of up to FFr30bn, once the appeal court judgment was delivered.

The documents make it clear that the success of this operation would depend on two things: winning over the Moët and Hennessy family shareholders who have been backing Mr Arnault, and victory in the current court battle over a contested 1987 issue of bonds with attached warrants. This offering ended up almost entirely in Mr Arnault's hands, and accounts for a quarter of his stake in LVMH. Mr Racamier, together with a group of small shareholders in LVMH, has asked for the entire issue to be cancelled.

Mr Arnault's supporters say that a cancellation of the issue would cost LVMH a total of FFr5.17bn, but would, in any case, not change the balance of power within the company. They say that the control is based not only on the 43.7 per cent stake held by Mr Arnault in partnership with Guinness of the UK, but also on the holdings of the Moët and Hennessy families. In addition, a large proportion of Mr Arnault's shares will soon carry double voting rights.

But Mr Racamier has always argued that a cancellation of the warrants and the shares resulting from their exercise would result in a new equilibrium between Mr Arnault and the Vuitton family, and would also lead other independent shareholders to switch their votes away from Mr Arnault. The takeover plan makes it clearer how this new equilibrium would be reached.

Other legal moves have included a suit from Mr Arnault seeking to cancel Louis Vuitton's Far East distribution contracts, containing an implicit assault on Mr Racamier's management; counter-suits from Mr Racamier on LVMH's contracts with Guinness, and on a perfume called "C'est la vie!" launched – he alleges improperly – by Parfums Christian Dior for the designer Christian Lacroix, whose company is part of Mr Arnault's own Agache group and not of LVMH.

The contested warrants have already come before the appeals court once before. It ruled last November that:

● The issue was irregular.

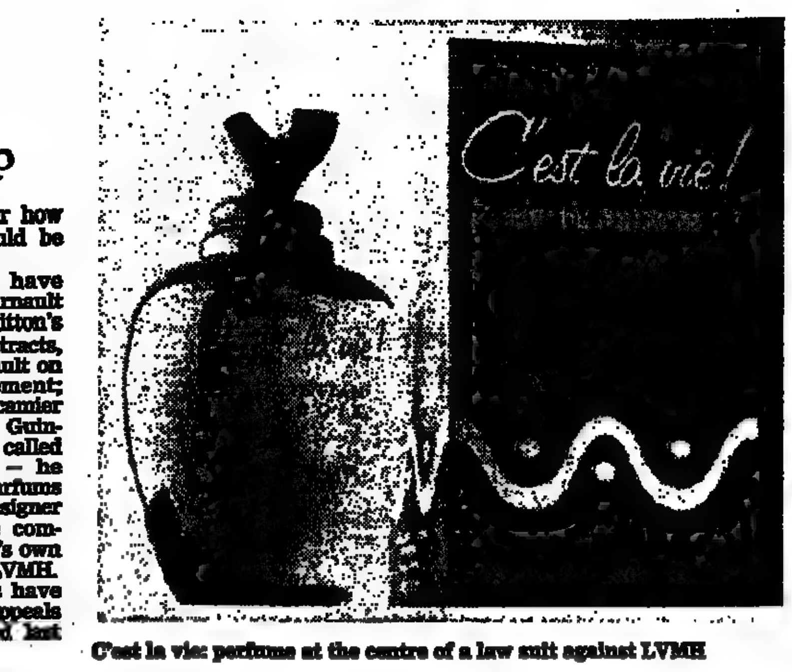
● Shareholders had suffered no real prejudice, nor even missed an opportunity, because of this irregularity.

● It could in any case not cancel the warrants alone, as Mr Racamier and his allies had asked, since they were indissociable from the bonds to which they were initially attached.

Second time around, with the plaintiffs seeking the cancellation of both bonds and warrants, the battle has seemed to go in Mr Arnault's favour: the commercial court roundly rejected the suit, and in the appeals court hearing last week the advocate general, in a form of supporting brief, argued strongly against the cancellation, both on technical grounds and on the grounds of Mr Arnault's good faith as buyer.

Mr Racamier said last week that if he loses a second time on a technicality, he will introduce a third suit. He may, however, already be too late to do so, because of a three-year limitation on such actions

If he does not succeed, there appears to be little doubt that, as soon as the appeals court has delivered its verdict on April 26, Mr Arnault will call a shareholders' meeting of Louis Vuitton, in which LVMH owns 98 per cent of the shares, to seek Mr Racamier's removal. The meeting has been delayed for a year by the lawsuits, but the climax now appears to be approaching.



C'est la vie: perfume at the centre of a law suit against LVMH

The Broccoli Theory of monetary policy

By Anthony Harris in Washington

Life here takes on a pattern in March. The sun shines, the cherry trees burst prematurely into flower – though never before so prematurely as this year – and the city is suddenly full of lost cars with out-of-state plates. Then it snows: the blossom comes soggily down, the traffic cringes to a trickle, and a lot of people start talking nonsense about monetary policy.

Footnotes: The traffic thins because the natives are sorely worried by snow. The tourist traffic gets lost because Washington is a city of forests and ravines, planned by a logical Frenchman who simply super-imposed a grid. Result: streets with the same name or number simply disappear for long stretches, and then crop up again in quite a different part of the city.

The themes of the monetary debate behave in rather the same way, ignoring ravines in time rather than in space; but before explaining why this tends to show up in the spring, I should alert non-American readers to the Broccoli Affair.

It is always hard to be sure about President George Bush, but in what appears at least to be a wholly non-political act, he has imposed escalating sanctions on broccoli. He banned it from the menu first in Air Force One, and then in the White House, and finally went on television to explain his policy to the American people. His mother, he said, had made him eat it; and at last the voters had given him the power to right an injustice. He is now a hero to every pre-teen American, but not to the broccoli farmers – who have the vote.

This account has not convinced everyone. Why has he waited 15 puzzling months before exercising his vegetable rights? The gossips have a tentative answer. This is not, they suggest, a lifelong obsession, but a more recent annoyance; and they claim to remember that Nancy Reagan, a faddy First Lady, was very keen on the health claims made for broccoli...

This guesswork is quite persuasive. A strong sub-theme of the Bush months has been an unspoken but fierce hostility to everything carrying a Reagan label. The President and his old chief have not socialised, and have barely bothered to keep up even an appearance of courtesy. Reagan appointees in senior posts were sent home in such haste that vacancies remained unfilled for months. The many doctrines which guided Mr Reagan have been dismissed just as abruptly. As the pragmatic Mr Bush might put it, let a thousand flowers wither.

This is the context of the annual monetary debate which is raging at the moment. The debate re-emerges with the spring each year because it is at this stage that both the Administration and the Congress, having faced the fact that there is still no agreeable way to cut the deficit, fall to thinking that if only the Fed could arrange for faster growth... The very depressing investment order figures released last Friday will make this question seem more pressing.

All the same, the debate is rumbling rather than raging this year. It is almost impossible to stage a good knock-down monetary debate when doctrinaire attitudes are out of fashion, because monetarism is essentially a matter of faith rather than of analysis. Without doctrine, we are left with a war of assertions.

Low inflation is a precondition of fast growth, intones the fine-tuning Mr Alan Greenspan, although there is next to nothing in post-war history to support his slogan, and much to contradict it. Japan and the UK, for example, have both grown faster in decades of fairly high inflation than in more stables times, while Switzerland has combined zero inflation with glacial progress. But this is not the sort of history a central banker can mention; the markets might lose confidence.

A firm anti-inflation policy is the best way to reduce interest rates, says Fed Deputy Chairman Mr Manley Johnson. It took three years and a slump for Mr Paul Volcker to turn a fierce assault on inflation into an interest rate cut, but this again is an unmentionable fact. Again, monetary policy is about maintaining confidence. Currently, though, the realisation is dawning that in a global market, the Fed may not have much control over interest rates at all. (Congressmen seem to find this belief unsettling, and ask witnesses on Capitol Hill whether they can control rates as what appears to be a test of faith. No jobs for unbelievers.)

So is monetary policy not after all about interest rates, but about stabilising the current value of money? And if so is that value measured in commodity prices (Governor Wayne Angell) or exchange rates (Deputy Treasury Secretary David Mulford)? Mr Mulford's colleague David Mullins, now nominated for the vacant Federal Reserve governorship, managed to embrace nearly all the rival theories in his confirmation hearings before the Senate Banking Committee.

He even managed to combine the opposing points at issue between the Treasury and the monetarists in one sentence when he said that exchange rates should be determined by economic fundamentals (the interventionist US Treasury – and IMF – belief), and left to the market (as hard monetarists argue). It is a little frightening that a nominee for the Board can say this with a straight face.

Anyone trying to read American monetary policy from the endless statements made about it can only get confused, so the first rule to embrace is that of Grandmother's Footsteps: mark what I do, not what I say. The American exchange rate policy remains what it has been since Mr Greenspan took office: to experiment with intervention in the markets.

Lively debate continues between the governors (as well as between academics) about whether intervention can be sterilised – that is, whether currencies used in support operations can then be borrowed back from the markets (to control the money supply) without re-imposing the shortage that made them too strong in the first place. Most officials and academics say it doesn't work (as does Mr Manley Johnson). Mr Greenspan believes that it can work and has on occasion worked. The issue will be settled pragmatically.

Domestic open-market policy is a bit clearer: it is not, in practice, aimed to control any of the many measures of the money supply, but responds to and attempts to guide the real economy. Since the real economy has recently been as hard to read as the weather, there has been very little change in the Fed's market stance.

This perhaps explains why the so-called Shadow Open Market Committee (SOMC), a monetarist pressure group was able last week to endorse a Fed policy which it should in theory abhor. But if the situation clarifies, and shows that the economy is after all drifting into recession (as is still very possible), then all bets will be off, and the feelings of the SOMC treated as brutally as if they were so many broccoli farmers.

Economics Notebook

The two Germanys sail into fog

WEST GERMAN economists are grabbing for metaphors in their efforts to give a suitably dramatic touch to the historic developments shaping the destiny of the two Germanys.

Although the strong vote for the conservative parties in the East German election made clear that most citizens wanted to join the West rapidly, the conditions under which they will be able to do so are far from certain.

Currency union, along with economic, social, and eventually political union, is virtually a foregone conclusion. But with few tell-tale smoke puffs from the joint commission working on the currency question, guesswork and speculation has characterised much of the discussion.

This especially applies to industry; there is hardly any reliable information on the real state of the ramshackle East German economy.

For economists, the situation is frustrating. On the one hand, an exciting shift from a centralist command economy to one based on the free market is about to take place before their eyes. On the other, they have no proper yardsticks by which to assess or measure this.

Thus they are often forced to be descriptive rather than interpretative. Mr Klaus Wieners, chief economist at Westdeutsche Landesbank, adopted a nautical tone when setting out his ideas of how the economic links between the countries should be strengthened, likening the process to the sailing of a ship with different decks for the various grades of passenger.

His point was that the East German economy, with its technically and administratively backward industry, could not possibly move to the same environmental, regulatory, social security, and employment standards as the West immediately after unification. Much of the public money now funnelled in West Germany to various regional and sectoral interests would, therefore, be required for East Germany.

Reinforcing the nautical approach, he said improvisation, readiness to learn, and pragmatism were needed, with citizens of both Germanys accepting their place in the same boat. "Each abrupt shift of weight will let water into the boat, and give people wet feet or worse."

Getting wet feet is probably the least that East Germans expect before economic revival gets under way. Those wanting to keep dry have crossed to the West. It is the danger of the something "worse," namely mass unemployment and financial chaos, that exercises the experts, especially those preparing for currency union.

They, too, have been hampered by the lack of hard-and-fast data. Having presented an interim report, they will not meet again until the formation of the new East Berlin Government, which can appoint new members.

On the sensitive savings and pensions issues, it looks virtually certain that a one-for-one conversion between the flimsy East German Mark and the powerful D-Mark will occur. WestLB reckons some 130bn East Marks, roughly three-quarters of East German savings, will be frozen to prevent a buying stampede. This could gradually be absorbed when shares and bonds are created, and people can buy property or start businesses.

That, however, is likely to be the easy part. What happens to the industrial groupings? They have operated in a remote and uncompetitive world. Their goods have mostly been sold in Comecon, often on virtual barter terms, their degree of vertical integration is incredibly high by western standards, and they have little control over their finances. WestLB reckons the East German economy will need at least DM30bn ($17.6bn) in liquidity as it sheds the Stalinist corset.

But if the groupings were subjected to a one-to-one conversion rate, they would be financially wrecked, as Bundesbank president Karl-Otto Pöhl has emphasised. The currency experts have to guard against this. It is one thing to reassure small savers. It is quite another to hang on to some level of stability while moving from one economic system to another.

For many East Germans, the main, if crude, test of political and economic unity will be what their money can buy. Now, they are at a big disadvantage, as a comparison of purchasing power shows all too starkly.

For groceries, the difference is not too big. It is when it comes to consumer goods that a yawning gulf opens up, according to East German figures quoted by the IW economic institute in Cologne. An East German must work nearly 215 hours for a refrigerator (against 30 hours in the West) and a staggering 739 hours, around four months, for a colour television (88 hours or two weeks).

This distortion in German living standards helps explain why the election in the East produced such an overwhelming vote for unification. Rapid currency and economic union is designed to check the exodus of people to the West. But whatever the final formulae, it is the goods in the shops, and their affordability, that will ultimately count for those who stay.

Andrew Fisher

THIS WEEK

Financial market developments and meetings will dominate economic news this week because – apart from Japan – few significant indicators are published in the leading industrial countries.

By the time European markets open today, the Japanese equity and foreign exchange markets will already have registered their first reaction to the outcome of Friday's meeting in Los Angeles between Mr Nicholas Brady, the US Treasury Secretary, and Mr Ryutaro Hashimoto, his Japanese opposite number.

The meeting took place against the background of recent sharp declines of the Japanese stock market and the yen, which lend added significance to this week's statistics from Tokyo. The weak yen is fueling concern about Japanese inflation.

According to Nomura Research Institute, Tokyo consumer prices in March, due on Friday, are expected to continue an upwards trend, although at a slower rate than February's annual 3.9 per cent rise.

In the US, analysts will be able to compare Wednesday's update of fourth quarter gross national product with Thursday's data for personal income and consumption in February. The consensus of analysts' forecasts compiled by MMS International, the financial research company, is that personal income will rise by 0.8 per cent and consumption by 0.4 per cent.

Fourth quarter GNP is seen growing a real 0.9 per cent, unchanged from earlier estimates, with the deflator at 3.2 per cent.

In Britain there was a somewhat more positive appraisal late last week of Chancellor John Major's first Budget after the City's initial thumbs down.

However, there was also some suspicion that sterling was technically oversold in which case it could be vulnerable to second thoughts about the British Government's political difficulties in the week ahead.

Other events and indicators (with MMS consensus in brackets) include:

Today: France, industrial production for January. West Germany, import and export prices for February.

Tomorrow: UK Treasury officials testify on the Budget to the House of Commons Treasury and Civil Service Committee. US, Federal Open Market Committee meets in Washington. Japan, leading indicators. Czechoslovakia, Parliament starts discussion of budget and economic laws.

Wednesday: US, fourth quarter after tax corporate profit; new home sales for February (up 5.2 per cent). Japan, industrial production, February. UK, Mr Robin Leigh-Pemberton, governor of Bank of England, testifies to Commons committee on Budget.

Thursday: US, Senate Finance Committee Hearings on decline in corporate tax revenue. West Germany, Bundesbank Council regular fortnightly meeting; cost of living index, preliminary for March. UK, New vehicle registrations for February; energy trends for January; London sterling certificates of deposit, bill turnover statistics, Sterling commercial paper figures and final monetary statistics for February.

Friday: US factory goods orders, February; Fed releases minutes of February FOMC; West Germany, trade balance and current account for February. Japan, current account, trade balance, unemployment and national consumer prices for February; Australia, current account for February. UK, West German-British government consultations in London. Ireland, European Community economics and finance ministers start informal weekend meeting at Ashford Castle to discuss European and German monetary union.

Saturday: West Germany, I.G. Metall wage contracts expire.

US MONEY AND CREDIT

Japanese help keep blues at bay

THE TOKYO equity market may have been heading down last week and ethnocentric Americans may have moaned yet again as the Japanese announced plans to buy another piece of the American dream – the 7-Eleven convenience store chain – but savvy players in the US bond market had good reason to be a trifle more appreciative of the great capital exporters from Nippon.

The reason? The Japanese, according to analysts and rumour-mongers alike, helped stave off a bout of the blues in the US Treasury bond market by picking up significant quantities of zero-coupon Treasury paper and shorter-term notes even as market attention focused on the release of the latest US inflation and trade figures.

The inflation figures – a 0.5 point jump in February's consumer price index (CPI) that made for a 4.6 per cent annualised rate (excluding food and energy) – was judged a non-event by many market watchers. The trade deficit, which widened to $9.25bn in January from a revised deficit of $7.7bn in December, was potentially negative for the market because it included an upturn in exports that suggests a certain underlying strength in the US manufacturing sector.

These US statistics, however, were of decidedly less consequence than the heavy buying of zero-coupon Treasury bonds by Japanese investors. Reports of the buying first surfaced last Tuesday, but market insiders say it has been under way for several weeks. Of particular note has been the reported swapping of depressed Japanese government yen bonds for long-term US zero-coupons.

Analysts say this had as much to do with the "window-dressing" of Japanese accounts, ahead of the end of the fiscal year on March 31, as with a sudden appetite for high-priced paper.

Mr Michael Moran, chief economist with Daiwa Securities in New York, said the swapping took place at inflated prices and the Japanese rationale was to "avoid showing a loss on their books by not having to mark the Japanese bonds to market."

Mr Moran and others stressed that US Treasury bond prices were nudged along as much by the reports of Japanese buying as by the buying itself.

Meanwhile, the sharp falls in Tokyo equity prices saw several Japanese institutions moving into US bonds and equities and especially two-year notes. If one then factors into the equation a certain Japanese bearishness about the yen-dollar rate, it would not be surprising to see further buying of US Treasury paper in the next few weeks.

Even last week's rumour-mongering had a more Japanese than American flavour. Friday's talks in California between Mr Nicholas Brady, US Treasury Secretary, and Mr Ryutaro Hashimoto, his Japanese counterpart, wound up the rumour mill so much that it almost went into tilt. Chief among the market's speculation was the notion that the Japanese might decide to issue dollar-denominated government bonds in an effort to support the yen.

A Japanese official in the delegation, however, on Friday scotched the prospect of "Hashimoto bonds."

By contrast, few people in the market were moved by comments about inflation made in Congress on Friday by Mr David Mullins, the Treasury official who is President Bush's nominee to the Federal Reserve Board. "A big yawn," remarked one analyst.

This week's ostensibly market-moving domestic events are thought likely to be equally yawn-inducing. The second revision of the fourth-quarter GNP growth figure (the first revision came out at 0.9 per cent) is hardly a cliffhanger of an issue as no one expects much in the way of revision. The deliberations of the Federal Open Market Committee (FOMC) are, meanwhile, expected to leave monetary policy unchanged.

Why is the FOMC expected to decide for a non-decision this week? Never mind the constant stream of pronouncements about a healthy economy and fears of inflation from Bush Administration officials, say the Fed watchers on Wall Street. The reality is that the Fed is widely expected neither to tighten nor to ease credit policies at this stage.

A tightening of credit, in spite of all the rhetoric by would-be inflation-busters, would have to take account of continuing uncertainty about the overall economic outlook, notwithstanding the generalised impression that the economy is actually stronger than had been forecast.

According to analysts at Donaldson, Lufkin & Jenrette, a tightening of credit would also go against the objective of pushing down the dollar's foreign exchange market value, with attendant implications for trade.

Where does all of this leave the US government securities market? The consensus view is that the market is "lacking in conviction." Last week closed with modest gains for the long bond, but the market's lacklustre tone is likely to continue this week.

Once again, therefore, the US credit markets are being driven primarily by non-US events. Since the beginning of this year Bonn and Tokyo have simply been more relevant market factors than has Washington.

Ms Maria Ramirez, a leading New York bond watcher, sums up the situation by noting that "the bond market continues to be led and dominated by events overseas." And few people expect this state of affairs to change very much in the near term.

Alan Friedman

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed funds (weekly average)	8.19	8.25	8.25	9.92	8.00
Three-month Treasury bills	8.12	8.15	7.92	9.11	7.29
Six-month Treasury bills	8.24	8.26	8.06	9.37	7.18
Three-month prime CDs	8.40	8.42	8.25	10.35	8.18
30-day Commercial Paper	8.30	8.30	8.20	9.95	8.05
90-day Commercial Paper	8.27	8.30	8.15	10.05	8.19

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk.	Yield	1 week ago	4 wk. ago
Seven-year Treasury	[illegible]	[illegible]	8.57	8.62	8.55
20-year Treasury	[illegible]	[illegible]	8.63	8.66	8.67
30-year Treasury	[illegible]	[illegible]	8.47	8.54	8.55

Money supply: In the week ended March 12, M1 fell by $4.8bn to $802.5bn.

NRI TOKYO BOND INDEX

December 1985 = 100	PERFORMANCE INDEX 23/3/90	Average yield† (%)	Last week	12 wks ago	26 wks ago
Overall	141.86	7.43	142.68	147.26	146.15
Government Bonds	[illegible]	7.29	[illegible]	147.37	[illegible]
Municipal Bonds	143.18	[illegible]	[illegible]	[illegible]	[illegible]
Govt.-guaranteed Bonds	145.71	7.49	[illegible]	[illegible]	[illegible]
Bank Debentures	139.22	7.67	[illegible]	141.46	[illegible]
Corporate Bonds	145.75	7.49	[illegible]	150.41	[illegible]
Yen-denom. Foreign Bonds	151.87	7.52	151.70	[illegible]	[illegible]
Government 10-year†	6.44	–	6.36	5.56	5.38

† Estimated par yield

Source: Nomura Research Institute

CBOT clears contracts

By Barbara Durr in Chicago

THE CHICAGO Board of Trade has approved launch dates for options contracts on two-year and five-year US Treasury note futures of May 24 and June 22 respectively.

The five-year contract is for notes with $100,000 face value and will initially be listed for delivery dates in September and December 1990 and March 1991. A June 1991 contract will be listed in August.

The shorter-term contract will have a $200,000 par value trading unit and will also cover three-, four-, and five-year notes which have limited remaining maturities.

CBOT directors have made changes in "circuit breaker" regulations for its major market index futures covering 20 blue chip stocks. These would require a suspension if trading on the New York Stock Exchange was halted due to an emergency.

UK GILTS

Uncertainty still clouds outlook

PERHAPS the worst is over for the gilts market. After a week that looked like a muddy assault course, with the Budget, trade and inflation data, and a by-election, this might be a reasonable assumption.

But very little is any clearer than it was last Monday. Funding policy and prospects for sterling's entry into the exchange rate mechanism (ERM), inflation and the macro-economy are still clouded. The market received two main surprises: the reduction in the public sector debt repayment (PSDR) to £7bn in 1990-91, and the factoring into inflation projections of the community charge and duty increases.

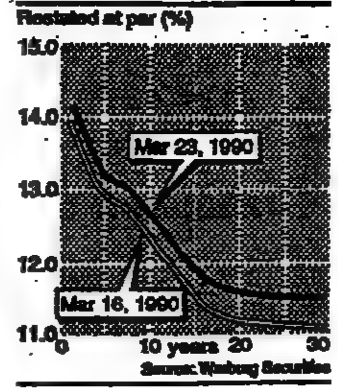
The presumption that things have now bottomed out relies on two elements: either that little more in the way of bad things will turn up, or what can happen has been discounted. Neither is necessarily a reliable assumption.

Are the Tory Party's problems over? The Mid-Staffordshire by-election delivered another rude shock, but there is no sign of the underlying unhappiness over Mrs Thatcher's rule disappearing.

Will the inflation outlook improve? The community charge and mortgage rises will take the monthly rate higher for the next quarter, probably over 9 per cent. The indexing of duties on alcohol and cigarettes, one of the few pieces of hard news from the Budget, will not help. The upcoming wage round will be bloody, and there are fears in the market of a wage/price spiral.

UK gilts yields

Restated at par (%)



Source: Warburg Securities

Is sterling safe? The pound escaped relatively unscathed last week. The fact that ERM entry is a "when" not a "whether" has been known since Madrid; the conditions for entry remain the same, and one of them is low inflation. There is plenty of scope for nasty surprises in the foreign exchange markets. Last week's trade figures really presented only a return to trend, not a significant improvement. An agreement between the Group of Seven countries would help, but is no substitute for the EMS.

So how much of this has been discounted? Nominal yields may be historically high, but according to some analysts not high enough. Calculating real yields – a speculative and slightly mystical affair, which removes the expected rate of inflation from the nominal yield – gives an indication of what the investor is getting for his money, and allows an international comparison.

This is ultimately a question of judgment, though the figures turn out to be similar. Goldman Sachs takes into account an inflationary expectation of about 7.2 per cent over the next year, roughly the same as the Treasury's forecast for end-year.

This produces a real yield plus risk premium on 10-year gilts of just over 5 per cent. This is not historically high – it is lower than the peaks of 1987 and 1986 – nor, they say, is it high in relation to other countries.

Considering that perhaps 100 to 150 basis points should be added in Britain for political risk, they estimate that long gilt yields have some way to go. Internationally, taking into account the political aspect, gilt holders are receiving little compensation for the extra risk they are undertaking.

Phillips and Drew perform the same tricks on slightly different calculations. They use the index-linked 2½ per cent 2020 as a proxy for real yield, which is running at 4 per cent, and work out the current risk premium at nearly 1.5 per cent. They also conclude that yields may have to increase to incorporate the political risk element, and certainly show no signs of coming down.

Mr Michael Hughes, of Barclays De Zoete Wedd, puts the real yield figure at just over 6 per cent, higher than the others, and is thus more sanguine about the prospects for nominal yields. Real yields in the US are running at about 5 per cent, he says; the extra 1 per cent is for Tory wobbles.

These analyses suggest that both politics and inflation may have more to add to long-term gilt yields. It is not just the risk of the Government losing the next election, or of the associated uncertainty. Political risk lies also in Tuesday's "back-benchers' Budget;" in the community charge concession to Scottish voters; in the possibility of an early cut in base rates to appease mortgage payers; and, if the pressure from spending ministries continues, in a lower-than-expected PSDR.

Real yields in other countries could come down, either because of increasing inflation or declining nominal yields. Mr Hughes argues that gilts may indeed become more attractive for the latter reason; the German economy may be slowing down, fears of rising inflation there may decline, and interest rates may fall, making gilts look relatively attractive.

Whether it is long rates that go up, or short rates that come down, the yield curve looks set to continue flattening. With no important statistics expected, the market will have time to reassess a gloomy week and may find it lacking in the reassurance necessary to underpin present yields.

Andrew Marshall

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INTERNATIONAL CAPITAL MARKETS

SYNDICATED LENDING

Faeroe Isles dive deeper into debt

THE Faeroe Isles, a nominally independent grouping under the aegis of the Kingdom of Denmark, have ventured to the international capital markets for their largest borrowing to date.

Standard Chartered Copenhagen is arranging a partially underwritten seven-year DM130m balance-of-payments loan for the islands, which dwarfs their last facility, a DM60m loan arranged in September 1988.

The islands, which derive about 90 per cent of export revenues from fishing, have a population of about 55,000. At that rate the new borrowings involve debts of about $1,520 for every resident of the Faeroe Isles, dwarfing the per capita external debt of Brazil which is a mere $857.

The loans, which have no formal guarantee from Denmark, carry a margin of ⅝ over the London interbank offered rate (Libor) and front-end fees which are not disclosed. The islands' previous borrowing, with a six-year maturity, carried a ¼ point margin but is reported to have had higher front-end fees. Half of the new loan will be repaid in a balloon format after seven years with the other half redeemed in semi-annual instalments beginning after 2½ years.

The arrangers of Rhône-Poulenc's $1.6bn borrowing have released terms of the loan intended to furnish funds for the acquisition of US-based Rorer. The larger facility, a $1.2bn seven-year revolving multi-currency facility, pays interest at 15 basis points over Libor for the first three years, rising to 20 basis points in the final years. The loan amortises after an 18-month grace period for an average life of four years and three months. There is also a $400m two-year revolving multi-currency facility paying ⅛ over Libor and offering a commitment fee of 1/16. Participation fees are four basis points for lead manager status.

Meanwhile, bankers have been eagerly awaiting documentation which accompanies two financings being arranged for British Satellite Broadcasting by Barclays Bank. BSB's eight-year project financing, which carries an initial margin of 2 per cent, is catching lenders' interest.

However, they are concerned about the type of protective covenants built into such agreements – after all, they are lending to a company which as yet has no revenues.

Also in the market is a £35m five-year project financing for Waterlink, a joint venture formed by four UK construction groups to develop the Waterlink area of Birmingham's waterfront. The loans are non-recourse to the joint venture partners, Bryant, Douglas, Tarmac and Wimpey. There is a margin of 1½ over Libor which declines as commercial properties become occupied. Lloyds Bank is arranger.

Separately, Atlas Copco's $200m five-year revolving credit facility is said to be meeting resistance from bankers due to the fine margins. Arranger Deutsche Bank Luxembourg is said to have gone out to a second tier of lenders last week in an effort to complete syndication.

The loan carries a margin of 12½ basis points over Libor and a facility fee of five basis points. There is a utilisation fee of four basis points if more than half the facility is drawn.

Italian borrowers continue to tap the markets. Istituto Regionale per il Finanziamento alle Industrie in Sicilia, via Bank of Tokyo, is seeking a L70bn seven-year facility. There is a two-year grace period on repayment and the entire loan carries a margin of ⅜ and a commitment fee of 10 basis points after a 60-day grace period.

Norma Cohen

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	2,441.0	0.0	49.0	11,733.6
Prev	3,769.6	0.0	122.2	11,966.2
Other	955.4	7.1	1,692.8	3,307.1
Prev	1,736.3	36.1	390.1	5,398.9
Secondary Market				
US$	24,414.5	726.4	4,024.4	7,787.4
Prev	14,389.1	685.3	4,493.6	6,979.9
Other	22,264.6	730.5	5,820.7	39,970.5
Prev	21,645.1	924.9	5,276.5	38,276.3

	Cedel	Euroclear	Total
US$	14,030.9	39,141.6	53,172.5
Prev	12,115.7	30,310.4	42,426.1
Other	30,074.5	44,074.2	74,148.7
Prev	29,929.4	42,194.8	72,124.2

Week to March 22, 1990 Source: AIBD

INTERNATIONAL BONDS

Eurosterling buy-ins may damage sector's liquidity

THE BUYING IN of bonds by issuers in the Eurosterling sector over the last six months is threatening to alter the way the market is run and damage its liquidity, according to analysts and dealers.

The sharp rise in UK interest rates since early 1988 drove the price of many seasoned Eurosterling issues down to wide discounts to par. These discounts led to buy-ins like those conducted by Hanson two weeks ago and Trusthouse Forte in January. In addition, some tax-paying investors could exploit a simple tax advantage by buying the bonds.

However, as the bonds have been bought in a series of disputes has unfolded. First, there have been regular complaints at the way buy-ins were conducted by appointed agents. In addition, even a successful buy-in inevitably leaves the rump of an issue in the market where it becomes illiquid.

The conduct of buy-ins is still controversial. The question of when an agent handling such a transaction for a borrower should announce the fact has regularly been raised by disgruntled professionals who have lost money by being caught short of stock.

If a dealer already had a short position in a bond suddenly subject to a buy-in, that would be put down to bad luck. If the dealer was short because its offer to sell stock was lifted hours before the buy-in was announced, then objections might legitimately be raised. The line between cleverness and sharp practice on the part of the agent is thin.

Eurosterling market-makers argue that they are regularly caught out by buy-ins. One house claims that it has been left short of bonds in almost all the deals so far, its offer price lifted either by the buy-in agent or other market professionals. In several cases it complained and had its bonds returned at the original price.

When a bond can jump as much as three points in price on news of a buy-in, the potential for painful losses is clear.

A further problem can arise if a market-maker purchases some bonds and offers them for sale to the issuer which then decides it would like to buy more of the same issue. In this case, if a formal buy-in follows and the price rises, the original sellers have lost out.

In principle most syndicate managers agree on the outline of a model procedure for conducting buy-ins. It works as follows: at the start of a trading day an agent announces that for a set period and at a minimum price in spread terms against a benchmark gilt, a company is offering to buy a particular stock. The company also agrees not to engage in future buying of the stock for at least six months.

With one crucial difference, this model was successfully applied when Redland conducted a buy-in late last year. In that case, however, the taking of price soundings the day before allowed some sharp dealing – later the subject of a Stock Exchange enquiry.

Unfortunately for the market there is no explicit legal requirement to announce a repurchase programme in advance. The danger that an unannounced buy-in might constitute the creation of a false or misleading market is still the subject of legal debate, but most advisers already recommend the agent to give advance warning.

The implications of buy-ins for the Eurosterling market have a further dimension. The more such transactions occur, the more damage will be done to the underlying liquidity of the market.

The logic is compelling. Not only do buy-ins usually leave an illiquid rump behind them, but their possibility encourages market-makers to adopt defensive positions. They will tend to post offer prices on bonds trading at a discount to par which minimise the danger of their book position unexpectedly being taken short. This implies a widening of dealing spreads and a consequent reduction in liquidity.

This in turn presents market regulators with a dilemma. If stricter rules are introduced for bond buy-ins, more issuers might abandon London as a listing centre in order to keep their options open. Without clearer rules, however, the established Eurosterling market is in danger of becoming less attractive to investors.

Analysts at Baring Sterling Bonds believe the potential for further buy-backs is limited by the number that have already happened and argue that although it is difficult to forecast reliably which issues might be bought back, the field can be narrowed by examining issuers' tax positions and their overall borrowing needs.

The economics of buy-ins is generally most attractive on an after-tax basis if the purchaser's capital gain between the buy-in price and the redemption price (usually par) is taxed at a lower rate than coupon income. In the UK this applies for most taxpaying investors, as well as taxpaying non-financial corporate issuers. It also applies to many foreign issuers and investors.

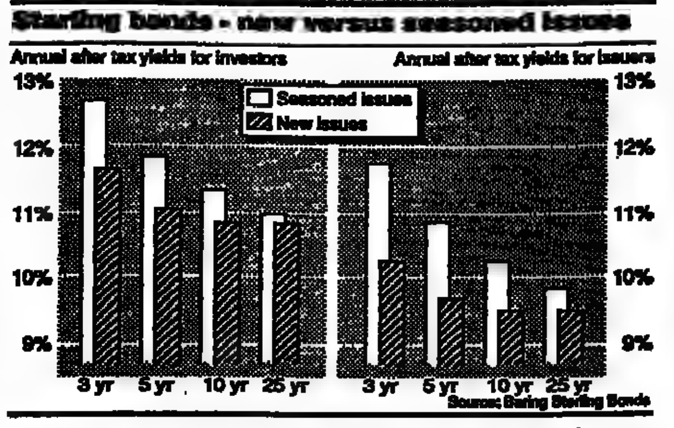
The chart shows the potential after-tax benefits of either investing in or repurchasing suitable seasoned issues trading at a discount, as opposed to new, higher-coupon issues.

The yields are derived from internal rates of return calculated on an annual compounding basis, assuming a 12-month tax delay. In each maturity, typical redemption yields have been assumed.

Clearly, the benefits diminish further down the maturity curve until they are almost negligible. Moreover, the likelihood of a buy-in remains dependent on the issuer being able advantageously to refinance its borrowing.

Andrew Freeman

Sterling bonds - new versus seasoned issues

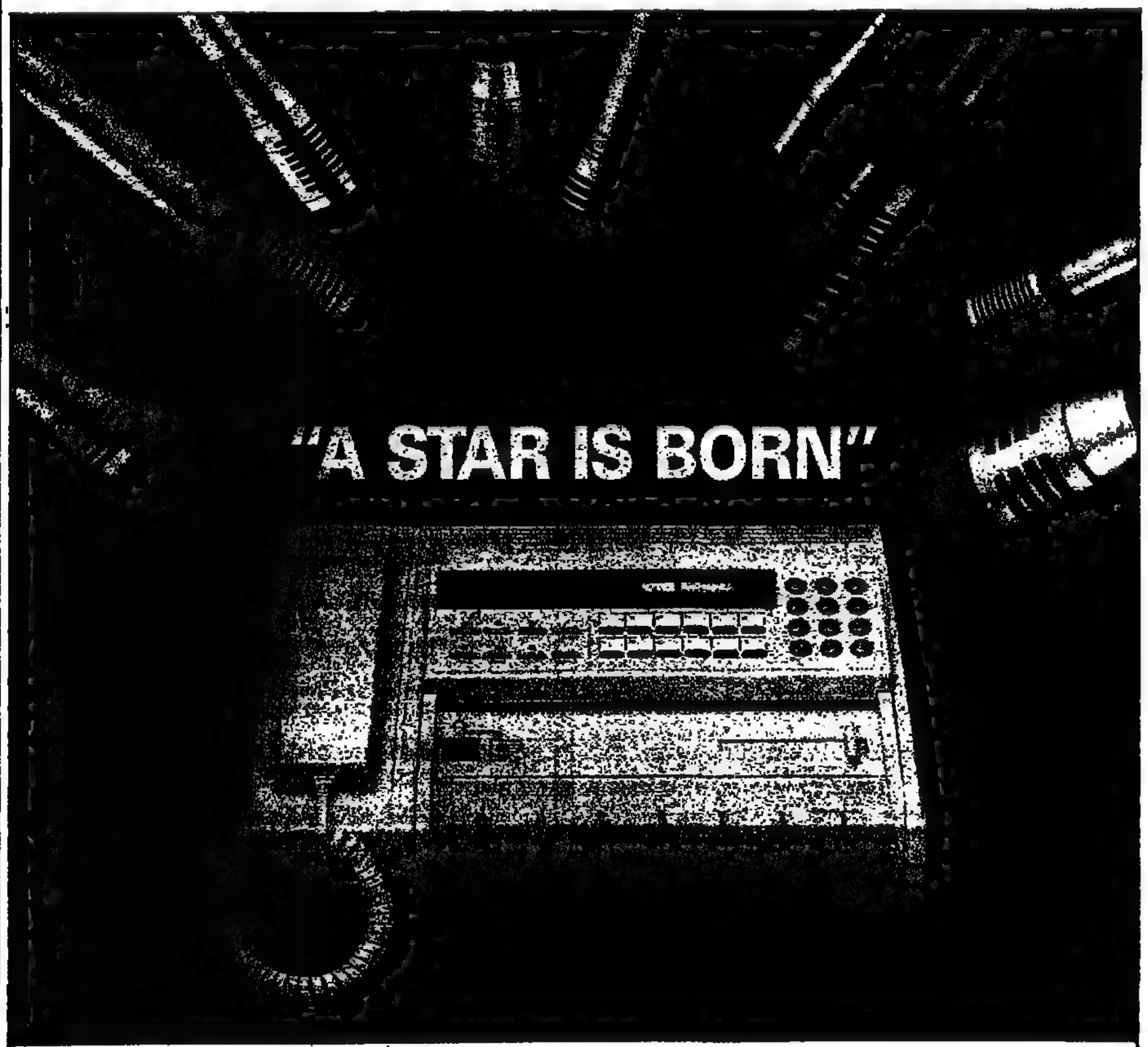


Source: Baring Sterling Bonds

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Snow Brand Milk Prod(e)‡◆	150	1994	4	2⅜	100	Daiwa Europe	2.375
YCM Investments(h)‡◆	70	2001	9½	⅛	99.35	Morgan Stanley Int.	-
Tamtrade Ltd.◆	30	1992	2	12	(j)	Bankers Trust Int.	(j)
Sanwa Australia◆	25	2000	10	10	102	Sanwa Int.	9.679
Sanwa Australia◆	25	1997	7	(n)	100.10	Sanwa Int.	-
CANADIAN DOLLARS							
Toronto-Dominion Bank◆	100	1993	3	13	101.90	ScotiaMcLeod	12.206
AUSTRALIAN DOLLARS							
GMAC Australia Finance◆	50	1993	3	15¼	102	Hambros Bank	14.383
Council of Europe◆	75	1991	1	15	101.10	Commerzbank	13.749
D-MARKS							
Lufthansa Int.Fin.(a)‡◆	1.2bn	2000	10	(a)	100	Deutsche Bank	-
Deutsche Bank(f)§◆	600	2000	10	8	107	Deutsche Bank	7.003
World Bank◆	500	2000	10	8¾	100¾	Deutsche Bank	8.635
Kansallis-Osake-Pankki‡◆	500	2000	10	(p)	100.10	Dresdner Bank	-
SWISS FRANCS							
Sumitomo Seika Chem★★§◆	100	1994	-	2½	100	Banca del Gottardo	2.500
Iseki Poly-Tech(i)★★§◆	45	1994	-	½	100	SBC	0.500
IBM Int.Finance★★◆	150	1996	-	7⅛	100¼	Credit Suisse	7.191
Electricite de France◆	150	2002	-	7¼	102	Credit Suisse	6.998
Aegon NV★★◆	75	1994	-	7¾	101¼	UBS	7.378
Hydro-Quebec★★◆	100	2000	-	7½	101½	SBC	7.284
SBC Luxembourg★★◆	100	1993	-	8	100½	SBC	7.807
General Elec.Cap.Corp.★★◆	115	1995	-	7⅛	100¾	SBC	7.377
IADB◆	125	2002	-	7⅜	101½	UBS	7.184
STERLING							
Woolwich Equitable(g)‡◆	150	1995	5	1/16	100	Hambros Bank	-
Hepworth Capital Fin(k)§◆	100	2005	14¼	11⅛	100	J.H. Schroder Wagg	11.250
ECUs							
British Gas Int.Fin.◆	100	1993	3	11	101.575	Merrill Lynch Int.	10.363
General Motors Corp.◆	100	1994	4	11⅛	101⅝	CSFB	10.606
Oest. Kontrollbank◆	150	1995	5	10¾	101.70	Banque Paribas	10.298
FRENCH FRANCS							
Interfin. Cr.National(b)◆	500	1992	2	10⅝	100.45	Credit Lyonnais	10.365
LIRE							
Daimler-Benz Int.Fin.◆	100bn	1995	5	13¼	101	Banco di Roma	12.986
LUXEMBOURG FRANCS							
Swedbank◆	1bn	1995	5	9¾	101¼	Banque Paribas Lux.	9.297
Skand.Enskilda Banken★★◆	300	1995	5	10¼	101.95	BGL	9.739
Agenta NV★★◆	300	1993	3	Zero	76.16	Sogenal	9.502
EIB★★◆	300	1997	7	10⅛	101.90	Credit European	9.738
Banque Worms-Paris★★◆	300	1995	5	10¼	101¾	Credit Lyonnais	9.791
Union Bank of Finland★★◆	300	1995	5	10¼	101.90	BIL	9.752
Pabolima BV(o)★★◆	900	1995	5	10¼	101.95	BGL	9.739
YEN							
C. Itoh Int.Finance◆	10bn	1994	4	7½	101⅝	Nikko Secs.(Europe)	7.020
Swedbank(c)◆	6bn	1992	2¼	8½	101⅛	Nippon Credit Int.	7.904
Tripe Ltd.-Series K(d)◆	5.45bn	1993	3.5	25bp	100.10	Toyo Trust Int.	-
Skopbank◆	3bn	1993	3¼	7¾	101⅞	Sanwa Int.	7.242
Skopbank◆	3.6bn	1995	5¼	7.80	101⅞	Sanwa Int.	7.344
ASLK-CGER-FICO(c)◆	2bn	1991	1	11½	100⅞	Nippon Credit Int.	10.838
Swedbank(c)◆	2bn	1992	2	(l)	101⅛	LTCB Int.	-
Swedbank(c)◆	1bn	1992	2	(m)	101⅛	LTCB Int.	

★Not yet priced. ★★Private placement. §With equity warrants. ‡Floating rate notes. ◆Final terms. a) Coupon pays 6-month Libor flat. Call at par from April 1994. b) Fungible with FFr700m bond launched in January. c) Redemption linked to Nikkei stock index. d) 25bp over 6-month Libor. Unlisted. e) Amount reduced from $200m. f) Exercisable into shares of Daimler-Benz at DM1,000 per share. Exercise period May 1990 to March 1993. g) 1/16 over 3-month Libor first two years. Put option at par after two years. If put not exercised 10bp over thereafter. h) ⅛ over 6-month Libor. Call at par from March 1991. i) Yield to put 6.014%. j) Priced to yield between 14-14½%. k) Conversion price £2.86. Call after three years at 102. l) Coupon pays ⅛ over 3-month Libor, then 8½%. m) Coupon pays ⅛ over 3-month Libor, then 10%. n) Coupon pays 6-month Libor first two years, then 10%. o) Launched in three tranches of LFr300m each. p) Coupon pays 6-month Libor flat. Put and call options at par from April 1995 and on April payment dates thereafter. Note: Yields are calculated on AIBD basis.



Nova Corp to ease debt by sale of rubber division

By Robert Gibbens in Montreal

NOVA CORPORATION of Canada, weighed down by heavy debt and depressed world petrochemical prices, has put its synthetic rubber division at Sarnia, Ontario, up for sale. Analysts expect it to fetch between C$700m and C$900m (US$769m).

Nova gained the unit in the mid-1988 takeover of Polysar Energy & Chemical. Polysar had already sold its international latex operations to BASF of West Germany.

Mr Robert Blair, chairman, said "global sources" had expressed interest. Nova has retained Morgan Stanley to handle the sale.

The group could sell the division outright or retain a minority interest, but any bidder must offer "good value to succeed," he said. Industry analysts believe one potential bid could come from a company in Japan's Mitsubishi group.

Last year the division generated sales of C$812m, operating income of C$61m and cash flow of C$100m.

Operating income peaked at C$105m in 1986. Half the division's annual output of nearly 1m tonnes is sold in North America with the rest being accounted for by Europe and south-east Asia, mainly for tyre manufacturing.

Mr Bob Hastings, an analyst with Richardson Greenshields, said a successful sale would help Nova's depressed stock price. But although total debt would be substantially reduced, there could be a write-down and Nova's petrochemicals operation would remain highly cyclical.

The company's most stable business is its natural gas pipeline system in Alberta, now being extended.

Approval likely for Japonica bid

By Alan Friedman in New York

A FEDERAL bankruptcy judge has said he is likely to approve a $650m plan under which Japonica, a New York investment firm, would acquire Allegheny International, the Pittsburgh home appliance maker that has been languishing in bankruptcy for the past two years.

Judge Joseph Cosetti, reviewing both the Japonica plan and a $570m bid by Allegheny's own managers, said on Friday he would approve the Japonica plan, which would pay creditors and shareholders in cash. His approval, however, would be conditional on the New York firm raising the necessary funds.

"I have reservations about whether any American banks are going to raise money for a corporation that's been in bankruptcy for two years," Judge Cosetti said. But Japonica says it has already lined up a $120m line of credit.

The management of Allegheny, which makes well-known kitchen appliances under the names Sunbeam and Oster, is seeking to pay off creditors and shareholders with stock in a reorganised company.

Allegheny said the company's managers had received a $250m loan commitment from Chemical Bank. The company was forced into bankruptcy in February 1988 by $718m of debts.

Allegheny made a $3.1m loss on $214m of revenues in its first quarter of fiscal 1990.

Cofir in control of Macosa

By Peter Bruce in Madrid

COFIR, the Spanish investment arm of Mr Carlo De Benedetti, the Italian entrepreneur, has taken control of Macosa, a rapidly growing Spanish property developer, for an undisclosed sum.

Cofir said at the weekend it had accumulated, directly and indirectly, 21.5 per cent of Macosa on the stock market and replaced its president with Mr Jose Ramon Alvarez Rendueles, Cofir's president and former governor of the Bank of Spain.

Macosa last year shed its former railway equipment business. It has a big project at Sotogrande, near Gibraltar, and has recently begun property operations in Barcelona.

Danish telephone groups hit by restructuring plans

By Hilary Barnes in Copenhagen

THE PRICE of shares in Copenhagen Telephone and Jutland Telephone, Denmark's two partially private telephone companies, halved on Friday following the publication of government proposals for the reorganisation of the telecommunications business.

Share quotations in the two companies were suspended last month at the request of the Minister of Transport pending publication of his proposals for the Danish telecommunications industry.

In the previous month the share prices had soared after a private investor opened a civil action against the Government in an attempt to force it to redeem privately-held shares in the companies at a price equal to their net worth, or DKr4,000 ($612.6) or more per share.

The Government, however, cites the licensing agreement for the two companies, in which the Government has a controlling holding, which commits the state to redeeming the shares at a price of DKr125.

The Government proposes to set up a holding company with control over Copenhagen and Jutland Telephone and the three other telephone operating businesses.

The state will own 51 per cent of the shares in the new company.

Credito Italiano to raise payout despite fall

By Haig Simonian in Milan

NET EARNINGS at Credito Italiano, the big Italian bank, fell to L270bn ($214.6m) last year from L416bn in 1988, when income was boosted by the one-off sale of its shares in Mediobanca, the highly-profitable merchant bank.

In spite of the drop, the bank plans to raise the dividend on its ordinary and savings stock by L10 – to stand at L85 and L100 a share respectively – following a highly satisfactory year in mainstream activities.

Lending volume at L67,161bn was up by 29.2 per cent – above the average for the industry – while the proportion of problem lending fell to 3.19 per cent of total loans from 3.32 per cent in 1988. Deposits from domestic customers rose by 11.1 per cent to L22,341bn.

The bank released no absolute figures, but said that interest income rose by 14.7 per cent last year, while fee earnings increased by 10.5 per cent. Combined with a 7.8 per cent rise in staff and management expenses, gross operating earnings before extraordinary items soared by 37.7 per cent to L713bn.

Group income was also boosted by sharp increases at a number of its subsidiaries, with what it described as substantial rises in leasing, factoring and trust operations.

● The smaller Banca Nazionale dell'Agricoltura (BNA) lifted net profit 7.3 per cent to L70.1bn in 1989, AP-DJ adds.

The board is to carry out the second half of a L410bn capital increase before the end of the year. It raised L205bn last year in a move aimed at raising its capital ratios to the Bank of Italy's minimum standards.

A dividend of L135 for each common and preferred share and L145 for each savings share is being paid, down from L175 and L185 respectively before the capital increase.

The bad-loan ratio was reduced to 7.13 per cent at the end of 1989 from 7.65 per cent. The bank said it added to bad-loan provisions, which it considered adequate, but did not specify the amount.

Row erupts around HK regulator

By Angus Foster in Hong Kong

A SIMMERING row between the Securities and Futures Commission (SFC), Hong Kong's fledgling market watchdog, and the market practitioners it seeks to regulate has broken into the open with a recommendation to the Government by the colony's legislative council that the SFC freeze staff levels and pay back half a government loan.

The council, under strong lobbying from listed companies and securities firms, made the recommendations on Friday as part of a review of the SFC's budget for the coming financial year. The council wants HK$70m (US$8.9m) of a HK$140m loan paid back and the SFC to start paying interest on the remainder. It also recommended that the commission should not be allowed to increase its staff by 30 people from the current 230. The issue will now be passed on to Government for a final decision.

The proposals highlight the suspicion and mistrust felt by some in Hong Kong towards the commission. Market practitioners complain it is over-regulating Hong Kong's markets and fear any increase in SFC staff levels could mean a parallel increase in regulation.

The main disagreement stems from the SFC's belief that while Hong Kong has some unique characteristics, the market should be brought generally into line with other financial centres if it is to survive. The opposing view says Hong Kong is a success because it is unique and trying to bring it in line with other markets will simply drive away business.

Mr Martin Barrow, a legislative councillor, described the commission as "overly ambitious" with its powers. The recommendations to Government "are a warning to the SFC to listen to local opinion and not to overstep its mark," he said.

Mr Barrow is also a director of Jardine Matheson which owns half of Jardine Fleming. Both companies are thought to be unhappy with the SFC.

The SFC was formed last year, partly as a result of Hong Kong's desire to clean up its image following the closure of the stock exchange in 1987.

Mr Robert Owen, chairman, rejects the accusation of over-regulation. "We recognise the level of regulation is a balance which we have to get right and we strongly believe we have got it right," he said.

Mr Owen also dismissed complaints that the SFC was using foreign securities rules and foreign regulators to try to solve Hong Kong's problems.

"We are seeking to internationalise Hong Kong, but not for any doctrinaire reasons," he said. "We believe that if Hong Kong develops internationally and attracts international investors and institutions, it has better prospects for growth."

In fact, in some areas at least, Hong Kong remains under-regulated. Already this year the impotence of the authorities – both the SFC and the stock exchange – has twice been highlighted.

The chairman of a small computer company was found culpable of insider trading "to a very high degree" but under Hong Kong's laws could not be punished. The authorities were also powerless to stop a controversial reverse takeover last year by Paladin of New Zealand Equities (NZE), its highly geared parent. This year NZE went into receivership.

Some of the holes in Hong Kong's securities rules should be filled later this year when new legislation on insider dealing and disclosure of interests come into force. The new rules are not draconian and insider trading will still not be treated as a criminal offence. Yet the changes have come in for some often vociferous opposition from market players who worry that the flavour of Hong Kong will be sterilised.

SUN HUNG KAI ADVANCES 32%

SUN HUNG KAI, the Hong Kong financial services group which runs one of the colony's biggest brokerages, lifted net profits 32.5 per cent to HK$160.1m (US$20.5m) in 1989, writes Angus Foster.

After several years of retrenchment, prompted in part by the Hong Kong stock market crashes in 1984 and 1987, the company said it was now ready to expand.

Last month Sun Hung Kai teamed up with Henry Ansbacher, the London merchant bank, in a joint venture to handle corporate finance business between Asia and Europe.

The group, which last year celebrated its 20th anniversary, also said yesterday it had been given approval to open an office in Malaysia. The company is considering ventures in South Korea and Indonesia.

Earnings per share gained 30 per cent to 27.7 cents. The company is recommending a final dividend of 10 cents a share, making total payments for the year of 15 cents, unchanged on last time.

INTERNATIONAL NEWS IN BRIEF

GIB GROUP, the leading Belgian supermarket company formerly known as GB-Inno-BM, lifted both profits and turnover by about 15 per cent in 1989, writes Tim Dickson in Brussels.

Mr François Vaxelaire, chairman, said sales were in excess of BFr195bn ($5.49bn) against BFr170bn. No precise figure was given for profits but the group's 1988 net earnings were BFr2.27bn.

The results were influenced by non-recurring elements, such as losses stemming from a legal claim started in 1972 and a significant tax charge in one of the group's operations.

Over the year GIB has stepped up activities in the US. Its stake in Scotty's, a chain of do-it-yourself stores in Florida, increased from 48 per cent to full control.

● Arbed, the Luxembourg steelmaker, is to pay its first dividend since 1976 after a one third rise in consolidated net profit last year to LFr17.5bn ($493m), Our Financial Staff writes. Sales were LFr222.1bn against LFr188bn. The payout is LFr200 per common share and LFr70 for preferred shares.

● Boeing, the world's biggest commercial aircraft manufacturer, is to shed about 360 hourly-paid jobs in the first quarter, substantially less than the 1,700 job losses that Boeing had forecast for the period, writes Karen Zagor in New York. The company has not revised its forecast of 5,000 job losses by the end of 1990.

● The Bank of England is to increase the size of its Ecu Treasury bill tender in April to Ecu1bn a month from Ecu900m, writes Rachel Johnson. The number of six-month bills on offer will be increased to Ecu400m from Ecu300m. The amount of one-month bills will remain unchanged at Ecu300m each. The amount on offer was last increased in September.

● Atlas Consolidated Mining and Development of the Philippines saw its profits more than halved last year, to 329.7m pesos ($15m) from 760.2m pesos, Our Financial Staff writes. Performance was affected by falling prices of copper and gold, as well as higher labour costs. Revenues were only marginally lower at 4.76bn pesos against 4.83bn pesos.

● Henley Group, the California maker of healthcare and scientific products, incurred a sharply wider net loss last year of $187m compared with a restated $96m, Our Financial Staff writes.

This was in spite of a jump in sales to $1.56bn from $973m, and the inclusion of a $20m gain from discontinued operations since the company spun off its Wheelabrator engineering operations.

● Trizec, Canada's largest quoted property group, had a brisk first quarter but is cautious about expansion because of the North American slowdown and a glut of office space in many markets, writes Robert Gibbens in Montreal.

Earnings for the three months to January were C$27.5m (US$23.5m) or 11 cents a share, up from C$24.4m or 10 cents a year earlier, on revenues of C$318m against C$295m.

● Twelve member firms of the Lausanne bourse, Switzerland's fourth largest, are to apply for membership of the Geneva bourse, Reuter reports from Lausanne. They will set up a joint brokerage to channel their orders on the Geneva market.

Vaud Cantonal Bank, another member, is to operate in Geneva on its own account. The Association of Swiss Bourses decided last November that transactions should be concentrated on the country's three top exchanges.

COMPANY NOTICE

NOTICE TO THE HOLDERS OF NOTES WITH WARRANTS, THE NOTES, AND THE WARRANTS OF

TODA CONSTRUCTION CO., LTD.

(THE "COMPANY")

1. Change of the Corporate Name

With respect to the Company's U.S.$150,000,000 4¼ per cent. Guaranteed Notes due 1993 with Warrants to subscribe for shares of the Company's common stock (the "Notes with Warrants"), Notice is hereby given that the Company has changed the English version of its corporate name from Toda Construction Co., Ltd. to:

TODA CORPORATION

which is adopted by the resolution of the Board of Directors on 1st October, 1989.

2. Adjustment to Subscription Price

Pursuant to Clauses 4(A) and (B) of the Instrument dated 30th March, 1989 under which the Warrants in conjunction with the Notes with Warrants are issued (the "Warrants"), notice is hereby given that the Board of Directors resolved on 23rd February, 1990 to make a free distribution of shares of the Company's Common Stock to the shareholders of record as of 31st March, 1990 at the rate of 0.12 for each one share held.

As a result, in accordance with Clause 3 (I) of the Instrument, Subscription Price at which shares of the Company's common stock are issuable upon exercise of the Warrants will be adjusted effective 1st April, 1990, as follows:

1) Current Subscription Price: Yen 1,333.00

2) New Subscription Price: Yen 1,190.20

By: The Mitsubishi Bank, Limited as Principal Paying Agent

26th March, 1990

PROVIDENT MUTUAL LIFE ASSURANCE ASSOCIATION ANNUAL GENERAL MEETING

Notice is hereby given that the 149th Annual General Meeting of the Association will be held at the Barber Surgeons' Hall, Monkwell Square, London EC2Y 5BL on Wednesday 18 April 1990 at 12.30 pm, to include the following:

1. To adopt the Report and Accounts for 1989.
2. To re-elect Lord Fanshawe as a Director of the Association.
3. To re-elect Peter Neville Buckley as a Director of the Association.
4. To re-elect Raymond Percival St. George Conlan as a Director of the Association.
5. To re-appoint Price Waterhouse as Auditors of the Association to hold office until the conclusion of the next Annual General Meeting.

P. Norton Secretary

7 March 1990

Provident Mutual Life Assurance Association Head Office and Registered Address, 25-31 Moorgate, London EC2R 6BA

LEGAL NOTICE

IN THE MATTER OF THE INSOLVENCY ACT 1986 AND IN THE MATTER OF THE TRAVELLERS CORPORATION (UK) LIMITED

NOTICE IS HEREBY GIVEN that the creditors of the above named company, which is being voluntarily wound up, are required, on or before 1 May 1990 to prove their debts by sending to the undersigned Robert William Birchall of Cork Gully, 30 Queen Square, Bristol, BS1 4JP the liquidator of the company, written statements of the amounts they claim to be due to them from the company and, if so requested, to provide such further details or produce such documentary or other evidence as may appear to the liquidator to be necessary. A creditor who has not proved his debt before the declaration of any dividend is not entitled to disturb, by reason that he has not participated in it, the distribution of that dividend or any other dividend declared before his debt was proved. This notice is purely formal and all known creditors have been, or will be paid in full.

Dated this 9th day of March 1990

R W Birchall
Liquidator.

ANNOUNCEMENT FOR PRE QUALIFICATION
EREGLI IRON AND STEEL WORKS INC. TURKEY.

A. Announcement is hereby made for the prequalification of following projects included within the Step-II of "CAPACITY IMPROVEMENT AND MODERNIZATION PROJECT" in the integrated steel plant at Kdz. Eregli, Turkey. The project is aimed to increase production and improve product quality.

Project Number	Project Title
1.	Coal Injection System for presently operating Blast Furnaces No: 1 and 2
2.	One (1) Blast Furnace Stove and modernization of presently operating three stoves in Blast Furnace No: 1
3.	No. 2 Sinter Plant
4.	Modernization of Hot Strip Mill No. 2
5.	Modernization of Alkali Cleaning Line
6.	Modernization of Tinning Line
7.	Pickling Line and Tandem Cold Mill for Cold Mill No. 2
8.	Cleaning Line, Continuous Annealing Line and Temper Mill for Cold Mill No.2
9.	Finishing Line for Cold Mill No. 2 (Cold Shear Line and Packing Systems)
10.	Electro - Galvanizing Line, for Cold Mill No. 2
11.	Gas Turbine Combined Cycle Plant.

B. Only the prequalified companies shall be invited to bid. Documents regarding the prequalification shall be issued to those who apply in writing to ERDEMIR of the date of this advertisement. Delayed applications for prequalification shall not be taken into consideration and these applicants will not be invited to bid.

C. Written applications for prequalification can be made for more than one project, provided that the Project Numbers and Project Titles are clearly indicated.
All written applications must be submitted to the following address not later than 17.00 hours of 24th April, 1990:

EREGLI DEMIR VE CELIK FABRIKALARI T.A.S.,
Yatirimlar Genel Müdür Yardimciligi,
Subject: Prequalification Application, for Step-II, CIM Projects
67300 Kdz. EREGLI - TURKEY

D. Documents regarding prequalification consisting of Questionnaire, Instructions and Introductory Technical Information for Projects shall be issued only for the project or projects for which the prequalification request is indicated in applications.

E. Foreign exchange required for the above mentioned projects shall be financed through the credits which each bidder is requested to provide together with their offer.
Payments in Turkish Lira shall be financed and paid by ERDEMIR through his own sources.

F. All correspondance shall be in the English Language.

Usdol 200,000,000 Batif tranche a and tranche b Guaranteed floating rate notes with floor warrants due March, 1996

For the six months period March 26, 1990 to September 26, 1990 the notes will carry an interest rate of 8 13/16% per annum with an interest amount of Usdol 450.42 per Usdol 10.000 note.

Interest amount per floor warrant tranche a : 0, tranche b : 0

The relevant interest payment date will be September 26, 1990.

Agent Bank
Banque Paribas
Luxembourg

This advertisement is issued in compliance with the requirements of the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("The Stock Exchange"), and does not constitute an invitation to subscribe for or purchase any securities.
Application has been made to the Council of The Stock Exchange for the ordinary shares of 25p each ("Ordinary Shares") and warrants ("Warrants") of Siam Selective Growth Trust plc (the "Company") to be issued in connection with the placing to be admitted to the Official List. It is expected that such admission will become effective, and that dealings in the Ordinary Shares and Warrants will begin separately, on 2nd April, 1990.

SIAM

SELECTIVE GROWTH TRUST plc

(registered in England and Wales with number 2342121)
An investment company within the meaning of section 266 of the Companies Act 1985

PLACING
by
CAZENOVE & CO.
of
15,000,000 ordinary shares of 25p each
at 100p per share, payable in full on application
(with 3,000,000 related Warrants)

Listing particulars relating to the Company will be circulated in the statistical services of Extel Financial Limited prior to the start of dealings. Copies of the listing particulars may be obtained during normal business hours up to and including 28th March, 1990 from the Company Announcements Office of The Stock Exchange, 46-50 Finsbury Square, London EC2A 1DD and up to and including 10th April, 1990 from the registered office of the Company at 2, Broadgate, London EC2M 7ED and from

Cazenove & Co., 12, Tokenhouse Yard, London EC2R 7AN and Panmure Gordon & Co. Limited, 9, Moorfields Highwalk, London EC2Y 9DS

26th March, 1990

Notice to the Holders of

Bank of Kinki, Ltd.

(formerly "The Kinki Sogo Bank, Ltd.")
(the "Bank")

U.S. $50,000,000

2¼% Convertible Bonds due 2003

(the "Bonds")

Notice is hereby given that with respect to the issuance of new shares for free distribution authorised at the meeting of the Board of Directors of the Bank held on 21st November, 1989, the shareholders appearing on the register of shareholders of the Bank as at the close of business on Saturday, 31st March, 1990 (Japan time) (the record date) will be allocated one (1) new share for each ten (10) shares owned, and as a result of such authorisation of free share distribution the following adjustment of the conversion price for the Bonds shall be made pursuant to Condition 5 of the Terms and Conditions of the Bonds:

1) Conversion price before adjustment: Yen 1,069.10 per share
2) Conversion price after adjustment: Yen 971.90 per share
3) Effective date of the adjustment (Japan time): 1st April, 1990

BANK OF KINKI, LTD.
4-27, Shiromi 1-chome,
Chuo-ku, Osaka, Japan.

26th March, 1990

By: The Daiwa Bank, Limited, London as Principal Paying Agent

UK COMPANY NEWS

Berisford £100m property buyout

By Clare Pearson

BERISFORD International, the British Sugar owner which has commenced merger discussions with Tate & Lyle, is expected to announce shortly a management buy-out of its UK property development arm for about £100m.

Agreement in principle has been reached to sell the business to Mr Cyril Dennis, who has held a 20 per cent stake in the division since May last year.

Mr Dennis, a former divisional director of Charles Church, the housebuilder, at that time took over the running of the UK property business which has assets worth in excess of £160m.

The company, Berisford Property UK, has recently added a west London site formerly belonging to Unigate, the dairy and distribution company, to its portfolio of properties split about evenly between development sites and completed investment properties.

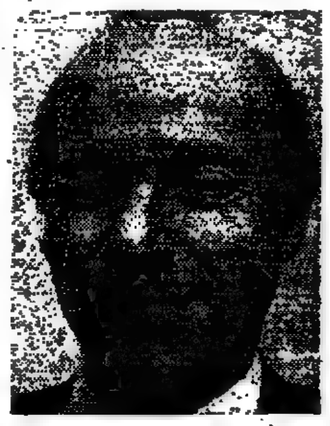
Buy-out discussions began prior to the recent resignation of Mr Ephraim Margulies as chairman and the commencement of talks with a view to merging Berisford International with Tate & Lyle.

The disposal of the business was in line with a policy, spelt out by Mr Peter Jacobs when he took over as Berisford's chief executive last December, of concentrating on the Bristar food operations rather than the property and commodities sides.

Worldwide property profits, including the troubled New York side, made profits of £49.1m (£33.1m) but much of this came from the sale of a single building, Midland Montagu House, in the City of London.

Two or three other companies besides Tate & Lyle are thought to have been holding exploratory bid discussions with Berisford.

A press report that Tate was considering a joint bid for Berisford with a European sugar company was "jumping the gun", a Tate spokesman said yesterday. This would be just one of its options further down the road, he said.



Peter Jacobs: disposal in line with group policy

Camford under fire from Markheath

By Clare Pearson and David Owen

MARKHEATH has attacked the "unfulfilled promises and wasted opportunities" at Camford Engineering, for which it has launched a £84m bid.

Camford's management of its assets and its acquisitions record are both put under fire in a document sent by Markheath to shareholders. It highlights Camford's failure to sell properties at Ampthill Road in Bedfordshire and Argyle Way, Stevenage.

Markheath also focusses on Camford's purchase in December 1979 of a 70 per cent stake in S.A. Perrot, a French engineering subsidiary, which went into receivership five years later. Markheath claims Perrot's creditors were owed more than Ffr30m (£3.2m) on the appointment of the receiver.

Warburg, Camford's adviser, responded yesterday: "A minute episode in France six years ago is going to be neither here nor there when shareholders come to consider the profits record, forecast and assets of the company."

As at Friday afternoon, the first close, Markheath had received acceptances in respect of 0.35 per cent of Camford's shares. It additionally owns a 29.96 per cent stake. The offer is extended until April 6.

Wm Low to issue statement on breakdown of Isosceles talks

By Maggie Urry

WM LOW, the Dundee-based supermarket group, will today issue a statement giving details of the breakdown of talks about the purchase of a number of shops from Isosceles, the parent of the Gateway food retail chain.

Mr Christopher Blake, Low's chairman, said yesterday that talks had finally ended on Friday evening, but had been on and off since the autumn. The sticking point appears to have been price, though Mr Blake said he could not comment before the Stock Exchange announcement was made.

Isosceles, which took over Gateway last year in a £2bn-plus leveraged deal, has been anxious to sell assets to reduce its debt. It put the Scottish and north of England stores on the market last autumn. Initially discussions involved 110 shops and a price of £250m or more was rumoured.

However, since then talks have been through a number of stages, Mr Blake said. He said Low had had a very clear idea of what it wanted but that "it was not easy for us to understand the workings of Gateway's mind."

The proposed deal would have more than doubled the size of Low, which has a market value of £114m, and would have required substantial funding.

Last year Low launched a £135m bid for the Budgens supermarket group but hurriedly called the deal off. Mr Blake said the failure of two deals within a year did not pose problems for Low. He said the group was in a strong position to grow organically.

George Ingham falls in the red

George Ingham & Co (Holdings), the worsted spinner, tumbled to losses in 1989, a year which, the board said, had seen the most difficult trading conditions it had experienced for some time.

From pre-tax profits of £364,464, the company fell to losses of £95,538 on turnover slightly down at £5.26m (£5.82m).

Losses per share amounted to 2.4p (earnings 11.95p).

However the proposed final dividend is maintained at 2p for an unchanged total of 3p.

H&C disposals could top £40m

By Nikki Tait

HARRISONS & CROSFIELD, the plantations group which has been diversifying into building supplies and chemicals, has sold a significant part of its general trading division in two separate transactions.

Together, the deals are worth around £33m to H&C. This figure includes the debt – put at around £5m – which will be assumed by the purchasers.

Shortly after this announcement was released, H&C concluded the sale of two further – and much smaller – subsidiaries within the division.

Negotiations are also underway for the disposal of the remaining businesses in the general trading area, and H&C says that it is hopeful that the total proceeds will amount to "a bit over £40m".

The two major businesses which have been sold are Tait & Company in Taiwan, which distributes a range of consumer brands, and Harrisons & Crosfield (Malaysia).

The former has gone to Tait Acquisition Company, a newly-formed company backed by local institutional money in which management has a small stake. The latter was bought by Jantoo Trading, a private Malaysian company. Again, existing directors are participating as shareholders and directors in the acquiring company.

Desoutter

Desoutter Brothers (Holdings), maker of electrical and pneumatic power tools, lifted pre-tax profits from £7.39m to £9.56m in 1989 on turnover of £54.6m against £44.52m.

Rival factions intensify the battle over Headlam's future

By Nikki Tait

THE BATTLE over the future of Headlam Group, a small Northampton-based footwear and fabrics company, has intensified with rival shareholder groups both circularising other investors in the company over their plans.

Existing directors are proposing that Headlam makes a reverse takeover of Cadogan Oakley, which comprises certain industrial activities belonging to Lord Chelsea.

The dissidents, by contrast, are proposing the appointment of four new board directors, an expanded use of the Headlam distribution network, and, possibly, acquisitions after that.

The matter is due to come to a head at an extraordinary general meeting on April 4, when shareholders vote on the proposed board changes.

In its attack on the dissident group, Headlam says that the four proposed directors would gain control "without investing an extra penny in the company." It notes that only one of them, Mr Barry Giddings, owns shares in Headlam, and that "the orthodox way to gain control of a British company is, of course, to make a general offer to all shareholders."

It also criticises strongly the business experience of Mr Giddings.

B&J buys more Lowndes shops

By Maggie Urry

Brown & Jackson, the discount retail and security alarms group, is expected today to announced the purchase of 30 shops from Lowndes Queensway, the loss-making furniture and carpet retailer. B&J will also report profits for 1989.

B&J bought Poundstretcher, its main business, from Lowndes in February last year for £72.2m. At the time Lowndes gave B&J first refusal on any shop sales. It has already taken 23 shops from Lowndes.

Last January Lowndes said it would rationalise its store portfolio when it raised £70m by a refinancing package. B&J is thought not to have paid much for the shops.

NEWS DIGEST

Ayrshire up £1m and expanding

PRE-TAX profits at Ayrshire Metal Products, the manufacturer of cold roll formed steel profiles, rose by more than £1m to £2.51m in the year to end December from turnover up 15 per cent from £31.92m to £36.79m.

This increase was revealed as the company announced that it had agreed to acquire ASK McGowan, a west Midlands-based steel stockholder, for a maximum of £3.64m.

The acquisition will be satisfied by the payment of £2m in cash and the issue of £1m in unsecured loan notes on completion. A further profits-related £640,000 may be required, to be satisfied by loan notes.

In the year to end-December McGowan produced profits of £798,000 from turnover of £1.42m. Net assets at that time totalled £1.42m.

At the interim stage Ayrshire said that the fight against inflation might be expected to have an impact on orders in the second half.

This had happened, with order books in the commercial vehicle and industrial building markets significantly affected. These factors were expected to have an effect in 1990, it said.

After tax of £951,000 (£889,000) earnings per share came out at 25.5p (15.9p) and the proposed final dividend of 5p makes a total of 7.5p (5.52p).

Tyndall back in the black with £4.33m

Tyndall Holdings, the investment holding company, swung from losses of £1.3m to profits of £4.33m pre-tax for the 1989 year. Turnover rose by £16.88m to £59.85m.

Profits of the banking division advanced to £3.25m (£2.27m) while the Australian subsidiary returned profits of £1.53m compared with previous losses of £3.26m.

Earnings came to 5.3p (3.3p). The dividend for the year is being maintained at 5.5p via a same-again final of 3p.

FW Thorpe falls to £0.4m midterm

FW Thorpe, a manufacturer of industrial and commercial lighting equipment, saw a sharp reverse in the six months to December 31, with pre-tax profits falling from £566,000 to £404,000. Turnover showed a slight improvement from £4.53m to £5.06m.

Mr Michael Lippold, chairman, said that it had taken longer than first anticipated to attain optimum efficiency at the Redditch factory which resulted in a fall in trading profits.

Problems associated with the move, however, have now been overcome, he said.

The interim dividend is maintained at 2.5p from earnings of 8.8p (12p) after tax of £141,000 (£198,000).

Cauldon agrees £5m distributor buy

Cauldon Group is making a recommended £4.8m offer for Reece, a cycle component distributor which also makes and distributes UPVC exterior door panels and related products.

The offer is 51 Cauldon ordinary for each Reece ordinary and 'A' ordinary. In addition, a maximum of £741,052 in deferred consideration will be payable in shares if Reece's profits for 1990 are £820,000 or more. For 1989 it made £533,000.

Cauldon is forecasting a pre-tax loss of not more than £150,000 for the six months to March 1990.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims- Lloyd Thompson, Ossory Estates, Trafford Park Estates.

Finals- BPP, Bedford (William), Boxtree, Brent Chemicals International, Brown & Jackson, Computer People, EBC, Estates & General Investments, Epwin, Hambro Countrywide, Iceland Frozen Foods, Menzies, Morley, P-E International, Ransom, Textiles, Rosehaugh, Sylvan-Pickerent, TT Group, Technology Project Services, Willis Faber.

FUTURE DATES

Interims-

Audit & General	Apr. 6
Town Centre Securities	Mar. 28

Finals-

Abbeycrest	Apr. 2
Bodycote International	Apr. 3
Dewsongroup	Apr. 6
Hardley-Walker	Apr. 2
London & Manchester	Apr. 5
Meggitt	Apr. 2
Ocean	Apr. 3
Pittard Garnar	Mar. 27
Storm	Mar. 28

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

Citybond Storage Services (Section: Third Market).

Dickie (James) (Engineering).

Malaysia Select Fund (Trusts, Finance, Land).

Storm Group (Leisure).

BASE LENDING RATES

	%		%		%
ABN Bank	15	Coutts & Co	15	Northern Bank Ltd	15
Adam & Company	15	Cyprus Popular Bk	15	Norwich Gen. Trust	15
Allied Trust Bank	15	Dunbar Bank PLC	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Duncan Lawrie	15	PRIVATbanken Limited	15
● Henry Ansbacher	15	Equatorial Bank plc	15	Provincial Bank PLC	16
Associates Cap Corp	15½	Exeter Trust Ltd	15½	R. Raphael & Sons	15
● B & C Merchant Bank	15	Financial & Gen. Bank	15	Roxburghe G'rantee	15½
Bank of Baroda	15	First National Bank Plc.	16½	Royal Bk of Scotland	15
Banco Bilbao Vizcaya	15	● Robert Fleming & Co.	15	Royal Trust Bank	15
Bank Hapoalim	15	Robert Fraser & Ptnrs.	15½	● Smith & Williamson Secs.	15
Bank Credit & Comm	15	Girobank	15	Standard Chartered	15
Bank of Cyprus	15	● Guinness Mahon	15	TSB	15
Bank of Ireland	15	HFC Bank plc	15	● United Bk of Kuwait	15
Bank of India	15	● Hambros Bank	15	United Mizrahi Bank	15
Bank of Scotland	15	Hampshire Trust Plc	15½	Unity Trust Bank Plc	15
Banque Belge Ltd	15	Heritable & Gen Inv Bnk.	15	Western Trust	15
Barclays Bank	15	● Hill Samuel	§15	Westpac Bank Corp	15
Benchmark Bank PLC	15	C. Hoare & Co.	15	Whiteaway Laidlaw	15
Brit Bk of Mid East	15	Hongkong & Shangh	15	Yorkshire Bank	15
● Brown Shipley	15	● Leopold Joseph & Sons	15		
CL Bank Nederland	15	Lloyds Bank	15		
● Charterhouse Bank	15	McDonnell Douglas Bnk	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	Midland Bank	15		
Clydesdale Bank	15	Mount Banking	15		
Comm. Bk. N. East	15	Nat Bk. of Kuwait	15		
Co-operative Bank	*15	NatWestminster	15		

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FINANCIAL TIMES STOCK INDICES

	Mar 23	Mar 22	Mar 21	Mar 20	Mar 19	Mar 16	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
Government Secs.	76.23	76.03	75.91	76.79	77.12	77.60	89.29	75.91	127.4	49.18
Fixed Interest	85.12	85.96	86.14	86.57	86.58	86.60	99.59	85.12	105.4	50.53
Ordinary	1796.1	1779.1	1771.4	1777.6	1759.9	1789.4	2008.6	1447.8	2008.6	49.4
Gold Mines	294.9	290.9	294.7	295.5	292.8	285.6	378.5	154.7	734.7	43.5
FT-Act All Share	1129.11	1118.90	1115.60	1120.49	1111.57	1123.79	1226.83	921.22	1238.57	61.92
FT-SE 100	2283.9	2258.9	2250.3	2259.7	2238.0	2263.9	2463.7	1782.8	2463.7	986.9

CONSTRUCTION CONTRACTS

Offices for Eagle Star

Eagle Star Insurance has awarded a £20m contract to **MOWLEM BUILDING** for the construction of a 100,000 gross sq ft office building at 63 St Mary Axe, London EC3, to be occupied by Eagle Star.

The seven-storey building will have a two-level reinforced concrete basement with a steel frame superstructure, clad in precast concrete with a mix of granite and Portland stone finish.

The upper seven stories will have a 66 ft by 40 ft clear span floor area with one corner of the building featuring a glazed staircase enclosure.

As the site traverses the 19th century Irongate main sewer special attention has been paid to the design of the lower structure.

The lower basement perimeter is being retained by a contiguous piled perimeter wall which is constructed to either side of the sewer, splitting the level into two. The upper basement spans both the sewer and lower floor.

Because the site contains the projected line of the original Roman London Wall, Mowlem Building and Eagle Star have been excavating the area in collaboration with archaeologists from the Museum of London.

The client is being advised by Speyhawk Development Management, which is the project manager for the development. The scheme, designed by the Building Design Partnership, is scheduled for completion at the end of 1991.

Scheme to redevelop in Fulham

KYLE STEWART has begun work on three contracts totalling £16m for Tesco Stores, The Post Office and Stewart Usborne Developments.

Work has begun on a £9.6m contract for Stewart Usborne Developments, a joint venture between Kyle Stewart Properties and Usborne Developments, to redevelop a 2.75 acre site at Munster Road, Fulham. The scheme includes business and residental accommodation.

Business units totalling 75,000 sq ft with on-site parking will be available in sizes from 500 sq ft on a freehold or long leasehold basis.

There will be 42 houses and flats with secure underground parking.

The project is due for completion in July 1991.

Balfour Beatty Group wins £30m

Three companies from the **BALFOUR BEATTY GROUP** have been awarded contracts totalling over £30.7m.

A £10m contract has been awarded to the transmission division of Balfour Beatty Power for the refurbishment of Kintore-Tealing L3 275kV overhead transmission line on behalf of the North of Scotland Hydro Electric Board.

The work, which will be completed by September 1991, involves replacing the twin 175mm AUSR conductors with a single 700mm AAAC araucaria conductor over a route length of 100kms.

Three overseas contracts have been awarded to Balfour Beatty Power by the roads and highways department via the Crown Agents totalling £750,000 for the design and supply of Callender-Hamilton bridges to Bangladesh.

British Broadcasting Corporation has placed a £350,000 contract to refurbish and extend an 11kV overhead line for the European Space Agency new tracking station on Ascension Island.

Balfour Beatty Building has been awarded five contracts totalling £16.7m. The largest, valued at £7.6m, was placed by developer Lordbourne to build phase 3 of the Centaurs business park in Osterley, Middlesex. The scheme involves the construction of a 6,350 sq metre (gross) three-storey office building and will be completed in March 1991.

Mersey Regional Health Authority has awarded Balfour Beatty Building a design and build contract worth £4.5m to construct the cardiothoracic centre in Liverpool.

The work, which will be completed in March 1991, involves the design and building of a two-storey nucleus block containing 84 beds and a separate unit of two- to fifteen-bed wards. It is scheduled for completion in March next year.

London Industrial has awarded Balfour Beatty Building a £2m contract to build the Brockley business centre in London SE4.

Refurbishing Tesco store

The Tesco store at Baldock, Hertfordshire, is being refurbished and extended under a £5m contract. The store is built behind the listed facade of the former Kayser Bondor factory, which was completely demolished except for the facade when the original Tesco store was built.

The extensions increase the total store area from 75,000 sq ft to 105,000 sq ft. Existing below-floor refrigeration ductwork is being extended to suit a re-arrangement of the sales floor layout and a new entrance will be formed through the portico of the front elevation. Work is due for completion in June 1990.

Work has begun on a £1.6m contract to replace the roof and ceiling at the mechanised letter office in Watford, Hertfordshire, for the Post Office. The project involves stripping off the sheet cement roof coverings and northlight glazing and replacement with aluminium mill-finished metal coverings.

R.M. Douglas builds Asda superstore

A £5m contract from Asda Stores for new build and extension work at a superstore in Reading is among £28m orders won by **R.M. DOUGLAS CONSTRUCTION**.

The work comprises an extension, and alterations, together with construction of a shopping mall. The mall will be based on a steel A-frame design with a glazed atrium and will accommodate a variety of shops.

Another award is a £4m contract from Scottish Metropolitan Developments for the construction of a business centre at Thame Park. The centre will consist of three two-storey office blocks and two industrial units set in a network of roads, car parks and landscaped areas.

As part of a Taylor Woodrow management contract, Douglas has already started work on a £3.3m swimming pool and sports hall for Legal & General in Kingswood, Surrey.

The hall will be constructed below ground while the pool will be partially sunken.

Two smaller awards in South Wales are together worth £2.8m.

The larger, for W.H. Smith, is for a 4,000 sq metre DIY store in Cardiff. The project includes construction of a retail area, offices, a garden centre and car parking.

The other contract is for a £1m sports pavilion in Neath for the Borough Council.

Nissan's parking and storage space

SIR ROBERT McALPINE AND SONS has been awarded three further design and management contracts totalling £3.4m by Nissan Motor Manufacturing (UK) for external work at its car manufacturing plant in Sunderland, Tyne and Wear.

The contracts cover an additional 32,000 sq metres of staff car parking at two locations; a 86,400 sq metres extension to the vehicle storage compound and 5,400 sq metres of additional test track facilities which will include handling and skid pads.

Work on the vehicle storage compound involves 140,000 cu metres of excavation and the laying of a granular sub-base followed by three layers of road base and wearing course.

Both the existing compound and the additional area will be enclosed by a security fence.

PARLIAMENTARY

Today

Commons: Conclusion of Budget debate.

Motions on Personal Community Charge Relief Regulations.

Lords: Education (Student Loans) Bill, report.

British Railways (No. 3) Bill, second reading.

Tomorrow

Commons: Motion for Easter adjournment.

Consolidated Fund (No 2) Bill.

Lords: Strathclyde Regional Council Order Confirmation Bill, third reading.

Law Reform (Miscellaneous Provisions).

Scotland (Bill), committee.

Motions on Industrial Training and Transport Orders for Northern Ireland.

Select committee: Treasury and Civil Service: subject, the Budget. Witnesses: Treasury officials. (Room 8, 4.30 p.m.)

Committees on private bills: Cardiff Bay Barrage Bill (Room 5, 10.30 a.m.) King's Cross Railways Bill (Grand Committee Room, Westminster Hall, 10.30 a.m.)

Wednesday

Commons: Social Security Bill, remaining stages.

Lords: Debate on "Problems of the Community Charge."

Debate on inspector's report on House of Fraser holdings.

Question to Government on council house rents.

Select committees: Defence: subject, defence implications of changes in Eastern Europe. Witness: Mr Tom King, Defence Secretary. (Room 8, 10.30 a.m.)

Environment: subject, beach pollution. Witness: Mr David Trippier, Environment and Countryside Minister. (Room 21, 10.30 a.m.)

Treasury and Civil Service: subject: the Budget. Witness: Mr Robin Leigh-Pemberton, Governor of the Bank of England. (Room 6, 10.30 a.m.)

Welsh Affairs: subject, the supply of starter homes. Witnesses: Federation of Welsh Housing Associations. (Room 18, 10.30 a.m.)

Energy: subject, mining subsidence. Witnesses: Consortium of Authorities Liaising on Subsidence and United Industry Working Party. (Room 16, 11 a.m.)

Trade and Industry: subject, company investigations, House of Fraser. Witness: Mr Nicholas Ridley, Trade and Industry Secretary. (Room 15, 11 a.m.)

Education, Science and Arts: subject, science policy and the European dimension. Witness: the Royal Society. (Room 8, 4.15 p.m.)

Employment: subject, job training. Witnesses: Centre for Alternative Industrial and Technological Systems and MDS Training. (Room 18, 4.15 p.m.)

Home Affairs: subject, Immigration and Nationality Department. Witnesses: Home Office officials. (Room 17, 4.15 p.m.)

Public Accounts: subject, retail price index. Witnesses: Sir Geoffrey Holland, permanent secretary, Department of Employment, and Sir Jack Hibbert, director of the Central Statistical Office. (Room 16, 4.15 p.m.)

Social Services: subject, community care. Witnesses: Association of Metropolitan Authorities, Association of District Councils, National Federation of Housing Associations and the Housing Corporation. (Room 20, 4.15 p.m.)

Transport: subject, urban public transport: the light rail option. Witnesses: Passenger Transport Executive Group. (Room 15, 4.15 p.m.)

Procedure: subject, working of the select committee system. Witnesses: Lord St John of Fawley, Sir Clifford Boulton, Clerk of the Commons, and Mr Donald Limon, Clerk of Committees. (Room 6, 4.30 p.m.)

Committees on private bills: (unopposed) Greater Manchester (Light Rapid Transit System) Bill; South Yorkshire Light Rail Transit Bill; Happisburgh Lighthouse Bill. (Room 9, 4 p.m.)

(Opposed) Cardiff Bay Barrage Bill. (Room 5, 10.30 a.m.); Kings Cross Railways Bill. (Grand Committee Room, Westminster Hall, 10.30 a.m.)

Thursday

Commons: Motions on Community Charge Benefit Regulations.

Criminal Justice (International Co-operation) Bill, remaining stages.

Opposed private business at 7 p.m.

Lords: Education (Student Loans) Bill, third reading.

Law Reform (Miscellaneous Provisions) (Scotland) Bill, committee.

Motions on Community Charge Benefit Regulations.

Motions on Utility Undertakings Orders.

Committees on private bills: Cardiff Bay Barrage Bill, (Room 5, 10.30 a.m.) King's Cross Railways Bill. (Grand Committee Room, Westminster Hall, 10.30 a.m.)

Friday

Commons: Private members' bills.

Trade fairs and exhibitions: UK

Current
Daily Mail Ideal Home Exhibition (01-222 9341) (until April 1)
Earls Court

March 26-28
London International Book Fair (01-948 9800)
Olympia

March 27-29
CADCAM International Show (01-404 4844)
NEC, Birmingham

March 29-April 1
International Contemporary Art Fair – ART (01-486 1951)
Olympia

April 2-16
International Festival of Science & Technology (031-228 4756)
Edinburgh

April 3-5
International Conveyors & Conveyor Components Exhibition – CONVEYOREX (0895 58431)
Harrogate

April 3-5
Fashion Fabrex – FABREX (01-244 5433)
Olympia

April 3-7
International Construction Equipment Exhibition – ICE (01-637 2400)
Wembley Conference Centre

April 8-9
International Health Food Exhibition – HELFEX (0483 426450)
NEC, Birmingham

April 9-11
Cable and Satellite Exhibition (01-486 1951)
Olympia

April 12-20
International Boat Show (0752 60056)
Bristol

Overseas exhibitions

March 29-31
Production and Test Equipment for Electronics Manufacturing Exhibition – INTERNEPCONKOREA (01-940 3777)
Seoul

March 31-April 5
International Hotel and Catering Exhibition – INTERGASTRA (01-236 0911)
Stuttgart

April 3-April 5
Packaging Exhibition – PAKEXPO (Dublin 884939)
Dublin

April 4-7
Electronics Industry Exhibitions – EIE/SMT/ECA (0494 729406)
Hong Kong

April 5-8
International Telecommunication, Electrical, Electronic, Computer Systems Technology Exhibition and Conference (01-639 7265)
Bangkok

April 9-11
Eurofreight Exhibition and Conference (01-642 7688)
Brussels

April 18-21
International Electronic Packaging Show – INTERNEPCON CHINA (01-940 3777)
Beijing

April 24-26
International Clothing Textiles Trade Fair – INTERSTOFF (01-734 0543)
Frankfurt

Business and management conferences

March 26-27
Financial Times Conferences: World Pharmaceuticals (01-925 2323)
Royal Garden Hotel, London

March 26-27
Financial Conferences: The European water industry (01-925 2323)
Hotel Inter-Continental, London

March 28
OM Conferences: Successful structuring of cross-border and multinational operations and investments in Europe for the 90's(France(33) 93 78 08 19)
Olympia 2 Conference Centre

April 4-6
Financial Times Conferences: Venture Forum Europe '90 (01-925 2323)
Centre Point, London

April 10
BDPA: The Food Bill, Food Hygiene and Catering Disposables (01- 437 0678)
Amsterdam

April 18-19
National Economic Development Office: Go public! – a conference for European Community buyers and suppliers to discuss the opening up of the public sector market place in the 1990s (01-217 4056)
Montreux

April 23-24
Financial Times Conferences: Industry and the Environment (01-925 2323)
Hotel Inter-Continental, London

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

DIARY DATES

FINANCIAL

TODAY
COMPANY MEETINGS-
Fleming Claverhouse Inv. Tst., 25, Copthall Avenue, E.C., 12.00
Temple Bar Inv. Tst., Watermen's Hall, 18, St. Mary-at-Hill, E.C., 11.00
Trillon, 4, Broadgate, E.C., 11.30
BOARD MEETINGS-
Finals:
BPP
Bedford (William)
Bostrom
Brent Chemicals Intl.
Brown & Jackson
Computer People
EBC
Estates & General Invs.
Epwin
Hamro Countrywide
Iceland Frozen Foods
MEMEC
Marley
P-E Intl.
Ramar Textiles
Rotork
Sykes-Pickavant
TT Group
Technology Project Servs.
Willis Faber
Interims:
Lloyd Thompson
Ossory Estates
Trafford Park Estates
DIVIDEND AND INTEREST PAYMENTS-
Hercules 56cts.
Heritage 1.29p
Metropolitan Wtr. Chelsea W. W. 2¾% Deb. 1897 1.375pc.
Mountview Estates 4p
Smithkline Beecham/Smithkline Beckman 34.35cts.
Thyssen AG DM10
Treasury 13½% 2004/08 6.575pc.
Trillon 0.5p
Vaux 11¾% Deb. 2010 5.875pc.
Do. 9⅞% Deb. 2015 4.9375pc.
Do. 10¾% Deb. 2019 5.375pc.
TOMORROW
COMPANY MEETINGS-
Carlton Communications, Armourers Hall, 81, Coleman Street, E.C., 10.30
General Cons. Inv. Tst., 49, Hay's Mews, W., 2.30
Moorfield Estates, Doncaster Moat House, Warmsworth, Doncaster, 11.00
BOARD MEETINGS-
Finals:
Atlas Converting Equip.
ASD
Allied Partnerships
Bensons Crisps
Bilston & Battersea Enamels
Bunzl
Clifford Foods
Conder
Derwent Valley
Executex Clothes
Kingfisher
Malaysia Mining Corp. Berhad
Mayborn
Pittard Garnar
P & O
Prudential
Scottish Heritage Tst.
Singer & Friedlander
Stag Furniture
Steetley
Interims:
Halstead (J.)
DIVIDEND AND INTEREST PAYMENTS-
AAH 4.5p
Anglia Bldg. Soc. Flg. Rate Nts. 1996 £187.46
Fleming Claverhouse Inv. Tst. 5p
Hoskyns 1.45p
Marina Developments 5p
Mersey Docks & Harbour 6¾% Red. Deb. 89/95 3.375pc.
National & Provincial Bldg. Soc. Fltg. Rate Nts. 1996 £186.01
Neepsend 0.5p
Scottish Life Assurance 7⅛% Uns. Ln. 97/02 3.5625pc.
WEDNESDAY MARCH 28
COMPANY MEETINGS-
BWD Securities, Cedar Court Hotel, Denby Dale Road, Calder Grove, Wakefield, 11.30
Blue Arrow, Cafe Royal, 12.00
Bullough, 7, Devonshire Square, E.C., 10.30
Scottish American Inv., 45, Charlotte Square, Edinburgh, 12.00
Securicor, Richmond Hill Hotel, Richmond, Surrey, 12.30
Securiguard, Savoy Hotel, 12.00
Security Services, Richmond Hill Hotel, Richmond, Surrey, 12.15
Yeoman Inv. Tst., 11, Devonshire Square, E.C., 12.30
BOARD MEETINGS-
Finals:
Boddington
Bowater Inds.
Clayform Props.
Dunloe House
Edmond Hldgs
Explaura
Gibbs & Dandy
Grampian Hldgs
GRE
Hawker Siddeley
Herring Son & Daw
House of Lerose
Hogg Robinson & Gardner Mountain
Page (Michael)
Plasmec
Redland
Rockware
Senior Eng.
Sun Alliance
Thames TV
Weir
Interims:
Barratt Developments
Colroy
Frogmore Estates
Mercury Oil & Gas
DIVIDEND AND INTEREST PAYMENTS-
Appletree 2p
Berkeley Govett 10cts.
British Gas 3.2p
Canadian Imperial Bank of Commerce Fltg. Rate Dep. Nts. 2005 $424.58
EAB Finance NV Gtd. Fltg. Rate Nts. 1990 $233.85
FAI Ins. 5cts.
GW Overseas Finance NV Gtd. Fltg. Rate Nts. 1994 $458.78
Great Universal Stores 11p
Do. A NV 11p
Halifax Bldg. Soc. Fltg. Rate Ln. Nts. 1996 £361.5
Kemira Oy Fltg. Rate Nts. 1995 $458.78
Presidio Oil 2.5cts.
Scotland Intl. Finance BV Gtd. Fltg. Rate Nts. 1992 $229.39
Tendring Hundred W. W. 5.6% (Fmly. 8%) Max. 28p
Do. 3.5% (Fmly. 5%) Max. New 17.5p
Do. 5.6% (Fmly. 8%) Max Pfd. 28p
United Kingdom Fltg. Rate Nts. 1996 $206.25
Wrexham & East Denb. Water 4.9% (Fmly 7%) Cons. 2.45p
Do. 3.5% (Fmly. 5%) Cons. Prf. 1.75p
THURSDAY MARCH 29
COMPANY MEETINGS-
Aaronson Bros., Swallow Hotel, Old Shire Lane, Waltham Abbey, Essex, 12.00
Brooke Tool Eng., Cutlers Hall, Church Street, Sheffield, 12.00
Greenfriar Inv., 3, Finsbury Ave. 2.30
Hey & Croft, 3-5, Norwich Street, E.C., 12.00
Lonrho, Grosvenor House, Park Lane, W., 11.15
Microgen, Barrington House, Gresham Street, E.C., 12.00
Soundtracs, Winchester House, 10, Lower Richmond Road, S.W., 10.30
Tribune Inv. Tst., 155, Bishopsgate, E.C., 2.30
BOARD MEETINGS-
Finals:
Brooks Service
Burmah Oil
Capital & Regional Props.
Clarkson Horace
Dauphin
Dolphin Packaging
Druck
E. W. Fact
European Home Prods.
Gardener (DC)
Laing Props.
London Forfaiting
Macfarlane
NMW Computers
Polly Peck Intl.
Portmeirion Potteries
Radius
Relyon
Slough Estates
Storm Group
Thurgar Bardex
United Newspapers
Wembley
Western Motor
Wilkes (James)
Interims:
Bridport-Gundry
Burne
Melville
Molyneux Estates
Murray Ventures
Town Centre Securities
DIVIDEND AND INTEREST PAYMENTS-
Australian Industry Development 10½% Bds. 1999 5.25pc.
Newman Tonks 3.5p
Tate & Lyle 11.96% Nts. 1990 5.98pc.
FRIDAY MARCH 30
COMPANY MEETINGS-
Company of Designers, 39, Chalton Street, N.W., 11.30
Hill & Smith, Chamber of Industry & Commerce, 75, Harborne Road, Edgbaston, Birmingham, 12.00
Record Hldgs., Parkway Works, Kettlebridge Road, Sheffield, 11.10
St. Modwen Properties, Ironmongers' Hall, Barbican, E.C., 12.15
Yorkshire Chemicals, Kirkstall Road, Leeds, 12.00
BOARD MEETINGS-
ATA Selection
Aitch
Blackwood Hodge
Guidehouse
Lincoln House
Pearson
Interims:
Adwest
DIVIDEND AND INTEREST PAYMENTS-
Alexander & Alexander Servs. 25cts.
Do. Class C 14.6p
Ashley Red. Cnv. Prf. 4.125p
Audax Properties 11% Gtd. Deb. 2021 5.5pc.
Do. 11% Gtd. Deb. 2021 Series A 5.5pc.
Austin Reed 8% Prf. 2.8p
Black & Decker 10cts.
Bridon 7% Pfd. 1.225p
CRH 3.5p
Commonwealth Bank of Australia 15¼% Nts. 1994 7.625pc.
Compass 6p
Continental Illinois Overseas Fin. NV Gtd. Fltg. Rate Sub. Nts. 1994 $221.18
Crystalate 8¼% Cnv. Uns. Ln. 2003 4.125pc.
Dowty 3.5p
EMAP 7¼% Deb. 86/91 3.625pc.
Engelhard 17cts.
Fitch Lovell 4p
Gartmore Value Invs. 0.3p
General Instrument 12.5cts.
Girozentrale Und Bank Der Ost Spark Fltg. Rate Nts. 1991 $22.28
Gracechurch Mortgage Finance Mtg. Backed Fltg. Rate Nts. 2019 £3636.34
Greenfriar Inv. 4p
Halifax Bldg. Soc. Fltg. Rate Ln. Nts. 1996 (Sers. A) £62.23
Hewetson 1.6p
Higgs & Hill 8¼% Deb. 89/94 4.125pc.
Do. 8% Uns. Ln. 89/94 4pc.
Hollas 1.6p
Investment Co. 6% Prf. 1.05p
Jones & Shipman 1.5p
Jones, Stroud 3p
Kleinwort, Benson Fin. BV Gtd. Fltg. Rate Nts. 1996 $467.64
Land Securities 6¼% 1st Mtg. Deb. 93/98 3.125pc.
Do. 9% 1st Mtg. Deb. 96/01 4.5pc.
Do. 10% 1st Mtg. Deb. 2025 5pc.
Do. 6⅞% Uns. Ln. 92/97 3.4375pc.
Do. 8½% Uns. Ln. 92/97 4.25pc.
London Cremation 10% Prf. 3.5p
Martin Marietta 33.75cts.
Nationwide Anglia Bldg. Soc. Fltg. Rate Nts. 1996 (2nd Sers.) £62.23
North American Gas Inv. Tst. 1.125p
Northchart Invs.
Northern Telecom 7cts.
Oceonics 9¼% Red. Prf. 1993 4.625p
Property Security Inv. Tst. 1.5p
Public Service Enterprise 53cts.
Renown Y14.5
Royal Bank of Scotland Sers. A Dollar Prf. 70.312cts.
Savoy Hotel 8½% Uns. Ln. 93/98 4.25pc.
Scandinavian Fin. BV Stg. Fltg. Rate Nts. 1990 £28.49
Scottish National Tst. Stepped Prf. 2.73625p
Slebe 5p
Sketchley 4.2% Prf. 2.1p
Staveley Inds. 5¼% Prf. 1.8375p
Do. 7½% Uns. Ln. 86/91 3.75pc.
Do. 7½% Uns. Ln. 88/93 3.75pc.
Temple Bar Inv. Tst. 6.5p
Tor Inv. Tst. 4¾% Prf. 1.6625p
Do. 6% Prf. 2.1p
Treasury 15½% Ln. 1998 7.75pc.
Vantage Securities 2.9p
Vickers 5% Pfd. 1.75p
Do. 5% Prf. 1.75p
Do. 5% Prf. (Tax free to 30p) 2.5p
Ward 2.1p
Wells Fargo Fltg. Rate Sub. Nts. 1992 $70.1
Do. Fltg. Rate Sub. Cap Nts. 1997 $219.8
Do. Fltg. Rate Sub. Nts. 2000 $70.31
Westpac Banking Perp. Cap. Fltg. Rate Nts. $466.74
Whinney Mackay-Lewis 1.6p
Wintrust 2.8p
Do. 5¾% Cnv. Prf. 2.875p
York W. W. 4.9% (Fmly. 7%) Max. 2.45p
Do. 3½% (Fmly. 5%) Max. Div. 1.75p
Do. 4.2% (Fmly. 6%) Max. Prf. 2.1p
Yorkshire Intl. Fin. BV Gtd. Fltg. Rate Nts. 1994 £190.66
SATURDAY MARCH 31
DIVIDEND AND INTEREST PAYMENTS-
Aaronson Bros. 4¼% Red. Prf. 2.125p
Alexon Cnv. Red. Prf. 3.125p
Allnatt London Props. 9¼% 1st Mtg. Deb. 96/01 4.625pc.
Anglo United 0.2p
Associated British Eng. 4.9% Prf. 2.45p
Do. 8% Cnv. Red. Prf. 4p
Assoc Paper Inds. 3.85% Prf. 1.925p
Atlantic Metropolitan (UK) 12% Cnv. Uns. Ln. 91/97 6pc.
Automotive Prods. 3½% Prf. 1.75p
Do. 4.55% 2nd Prf. 2.275p
Do. 9% Prf. 4.5p
BAT Invs. 10% Uns. Ln. 90/95 5pc.
Do. 10½% Uns. Ln. 90/95 5.25pc.
BPB Inds. 7¼% Deb. 86/91 3.625pc.
Do. 10¾% Deb 94/99 5.375pc.
Do. 10¼% Deb. 97/02 5.125pc.
Barrow Hepburn 7¾% Prf. 3.875p
Bass 4% Prf. 1.4p
Do. 7% Prf. 2.45p
Do. 3¼% Deb. 87/92 1.625pc.
Do. 8¼% Deb. 87/92 4.125pc.
Do. 10.65% Deb. 95/99 5.325pc.
Do. 10¾% Deb. 2016 5.1875pc.
Do. 4½% Uns. Ln. 92/97 2.25pc.
Do. 7¾% Uns. Ln. 92/97 3.875pc.
Bass Invs. 6% Uns. Ln. 85/90 3pc.
Do. 7¾% Uns. Ln. 92/97 3.6875pc.
Bemrose 7½% Prf. 2.625p
Birmid Qualcast 7½% Uns. Ln. 87/92 3.75pc.
Blackwood Hodge 5¾% Prf. 2.875p
Blue Circle Inds. 5¾% 2nd Deb. 84/09 2.875pc.
Boddington 4% Deb. Perp. 2pc.
Boot (Henry) & Sons Prf. 2.625p
Boots 7¾% Uns. Ln. 88/93 3.875pc.
Boscombe Property 5% 1st Prf. 1.75p
Bowater Inds 4.35% Prf. 2.175p
Do. 7¾% Cnv. Prf. 3.9066463p
Bowthorpe 8% Deb. 88/93 4pc.
Bristol & West Hotels 7¾% 1st Mtg. Deb. 87/92 3.875pc.
Bristol Evening Post 10¾% Mtg. Deb. 91/96 5.375pc.
British Airways Capital 9¾% Cnv. Cap. Bds. 4.327397pc.
British-American Tobacco 5% Prf. 1.75p
British Assets Tst. A 5% Prf. 1.75p
Do. 4½% Prf. 1.575p
Do. 6% Uns. Ln. 1995 3pc.
British Inv. Tst. 11⅛% Secured Deb. 2012 4.2976pc.
British Land 10½% Dfd. 1st Mtg. Deb. 2019 5.25pc.
Brixton Estate 11¾% 1st Mtg. Deb. 2018 5.875pc.
Brown (John) 4⅞% Sec. Ln. 2003 2.4375pc.
Do. 5⅝% Sec. Ln. 2003 2.8125pc.
Bruntcliffe Invs. 7% Prf. 2.45p
Burtonwood Brewery 8¼% Deb. 89/94 4.125pc.
Cable & Wireless 7% Cnv. Uns. Ln. 2008 3.5pc.
Capital & Counties 6¼% 1st Mtg. Deb. 93/98 3.125pc.
Do. 6¾% 1st Mtg. Deb. 84/99 3.375pc.
Century Oils 5¼% Prf. 2.625p
Churchbury Estates 9% Uns. Ln. 2000-4.5pc.
City & Commercial Inv. Tst. 4.31p
City & Westminster 10% Cnv. Uns. Ln. 1998 5pc.
City Gate Estates 3¼% Cnv. Prf. 0.9375p
City Site Estates 5¼% Cnv. Red. Prf. 2.20068p
Do. 10½% 1st Mtg. Deb. 2017 5.25pc.
Do. 10% Cnv. Red. Prf. 1p
Coloroll 9p Cum Prf. 2005 4.5p
Combined Electrical Manufacturers 6% 1st Mtg. 87/92 3pc.
Cooper (Frederick) 6.5p Cnv. Prf. 3.25p
Courtaulds 7¾% Deb. 89/94 3.875pc.
Courtaulds 7¾% Uns. Ln. 2000/05 3.875pc.
Courtaulds Coatings 8¼% Uns. Ln. 90/95 4.125pc.
Courts (Furnishers) 7.9% Prf. 2.95p
Cowie (T.) 10½% Cnv. Prf. 5.25p
Crosby Woodfield 10% Prf. 5p
DAKS Simpson 5% Prf. 1.75p
Davenports Brewery 4% Deb, 2pc.
De La Rue 2.45% Prf. 1.225p
Debenhams 6¼% 2nd Deb 90/95 3.125pc.
Devenish (J.A.) 3.85% Prf. 1.925p
Do. 4.5% Cnv 2nd Prf 2.25p
Drummond 8% Prf. 2.8p
Eastern International Inv. Trust 9½% Deb. 92/97 4.75pc.
Elliot (B.) 6½% Deb. 88/93 3.25pc.
Do. 7¼% Deb. 90/95 3.625pc.
Ellis & Everard 5% Prf. 1.75p
Elson & Robbins 4.7% Prf. 2.35p
Emhart 6% Prf. 2.1p
English & International Trust 5½% Prf. 1.925p
Do. 8.875% Prf. 4.4375p
Do. 10⅝% Deb. 2014 5.9375pc.
Empire Stores 6⅞% Deb. 85/90 3.4375pc.
Do. 8¾% Deb. 91/96 4.375pc.
Essex Water 8⅝% Prf. 1993 4.3125p
European Home Products 8⅞% Prf. 2001/05 4.4375p
Do. 5¾% Prf 2006/11 2.625p
Euston Centre Properties 10.4% 1st Mtg. Deb. 92/97 5.2pc.
Eva Industries 6½% Deb. 85/90 3.25pc.
Ewart 8½% Uns. Ln. 90/95 4.25pc.
F. & C. Eurotrust 5¾% Cnv. Uns. Ln. 1996 2.875pc.
Fine Spinners & Doublers 4% 1st Mtg. Deb. 2pc.
Fisons 5⅞% Uns. Ln. 2004/09 2.9375pc.
Foreign & Colonial Inv. Trust 5% Prf. 1.75p
Fundinvest 7% Prf. 2.45p
GATX 55cts.
GEI Intl. 10% Uns. Ln. 87/92 5pc.
General Electric 2.55p
Do. 7¼% Uns. Ln. 87/92 3.625pc.
Do. 7¾% Uns. Ln. 88/93 3.875pc.
Globe Inv. Trust 10% Deb. 2016 5pc.
Do. 11½% Cnv. Uns. Ln. 90/95 5.75pc.
Glynwed Intl. 10¾% Uns. Ln. 94/99 5.375pc.
Govett Strategic Inv. Trust 11½% Deb. 2014 5.75pc.
Grainger Trust 11¾% 1st Mtg. Deb. 2024 5.875pc.
Great Portland Estates 8¼% 1st Mtg. Deb. 90/95 4.125pc.
Do. 9.5% 1st Mtg. Deb. 2016 4.75pc.
Greenall Whitley 8% Prf. 4p
Greenhaven Securities 7½% Uns. Ln. 91/96 3.75pc.
Gresham Trust 6½% Gtd. Uns. Ln. 88/93 3.25pc.
Do. 7¼% Gtd. Uns. Ln. 86/91 3.625pc.
Do. 8% Gtd. Uns. Ln. 88/93 4pc.
Graycoat 12.85% Uns. Ln. 90/92 6.425pc.
Grosvenor Development Capital 7½% Cnv. Uns. Ln. 1.12pc.
Guardian Royal Exchange Exchange Assurance 2.45p
Halma 11% Prf. 5.5p
Hammerson U.K. Properties 9¾% 1st Mtg. Deb. 97/2002 4.875pc.
Hampton Trust 10½% 1st Mtg. Deb. 2025 5.25pc.
Haslemere Estates 10¼% 1st Mtg. Deb. 98/2003 5.125pc.
Hestair Consumer Products 6% Uns. Ln. 85/90 3pc.
Hill & Smith 3.45p
Home Brewery 5¾% Prf. 2.0125p
Housing Finance 7% Deb. 2009 3.5pc.
Do. 7% Deb. 2009 (Sers. 2) 3.5pc.
Do. 5% Deb. 2027 2.5pc.
Hoyle (Joseph) 5% Prf. 1.75p
IWP Intl. 4.32p
Inchcape 5¾% Prf. 90/92 2.625p
Do. 8½% Prf. 90/92 2.975p
Do. 8% Uns. Ln. 87/90 4pc.
Do. 10½% Uns. Ln. 90/95 5.25pc.
Do. 12½% Uns. Ln. 93/98 6.25pc.
Inco Engineered Products 8% Deb. 87/92 4pc.
Do. 11% Deb. 96/2001 5.5pc.
Investors Capital Trust 7¼% Deb. 92/97 3.625pc.
Johnson & Firth Brown 5.525p
Johnston 5p
Kelsey Industries 11¼% Prf. 5.625p
Keystone Inv. 5% Prf. 1.75p
Laporte 5¾% Deb. 88/93 2.875pc.
Do. 8% Deb. 93/98 4pc.
Do. 10¼% Deb. 94/99 5.125pc.
Do. 7½% Prf. 2.625p
Do. 8½% 2nd Prf. 1.925p
Law Land 7½% 1st Mtg. Deb. 3.75pc.
Leigh Interests 3p
London American Ventures 4% Prf. 2pc.
Lookers 8% Cnv. Red. Prf. 3.8137p
Lovell (Y.J.) 8½% Deb. 87/92 4.25pc.
M & G Equity Income Fund 6.65p
M & G Far Eastern & Gen. Fund 0.3p
M & G Gilt & Fixed Interest Income Fund 1p
M & G Smaller Companies Fund 14.63p
MEPC 1.575p
Macarthy 6% B Prf. 2.1p
Do. 5½% B Prf. 1.925p
Mansfield Brewery 11½% Deb. 2010 5.75pc.
Markheath Securities 2p
Marston, Thompson & Evershed 7% Uns. Ln. 93/98 3.5pc.
Mecca Leisure 3.625p
Metropolitan Rly Surplus Lands 6¼% 1st Mtg. Deb. 86/91 3.125pc.
Do. 6½% 1st Mtg. Deb. 86/91 3.25pc.
Michelin Tyre 9½% Deb. 92/97 4.75pc.
Morland 5% Prf. 1.75p
Mountleigh 6½% Prf. 4.55p
Mucklow (A. & J.) 6¾% 1st Mtg. Deb. 89/94 3.375pc.
Do. 7½% 1st Mtg. Deb. 90/95 3.75pc.
NMC 3.875p
New Frontiers Development 6½% Cnv. Uns. Ln. 2010 3.25pc.
New Throgmorton Trust 12.6% Deb. 2008 6.3pc.
Newcastle-Upon-Tyne (City of) 11¼% Red. 2017 5.625pc.
Northern Eng. Inds. 8¾% Uns. Ln. 88/93 4.1875pc.
Northern Foods 7¼% Deb. 85/90 3.625pc.
OK Bazaars 6% 1st Prf. 5cts.
Do. 5% 3rd Prf. 5cts.
Oldham Met. Borough Council 12.4% Red. 2022 6.2pc.
Oliver 5¼% Prf. 2.625p
Optical & Medical Intl. 1.75p
Overseas Inv. Tst. 5½% Deb. 85/90 2.75pc.
Do. 7½% Cnv. Uns. Ln. 95/98 3.75pc.
P & O Property 6¾% 1st Mtg. Deb. 89/94 3.375pc.
Do. 7¼% 1st Mtg. Deb. 91/96 3.625pc.
Do. 8% Uns. Ln. 97/99 4pc.
Pauls 6¾% Deb. 85/90 3.375pc.
Pearson 5.675% Uns. Ln. 88/93 2.8375pc.
Do. 6.975% Uns. Ln. 88/93 3.4875pc.
Do. 8¼% Uns. Ln. 88/93 4.125pc.
Peel South East 8¼% Uns. Ln. 87/97 4.125pc.
Petrofeos Mexicanos 14½% Ln. 2006 7.25pc.
Phoenix Timber 6% Prf. 2.1p
Pillar Elect. 7½% Uns. Ln. 86/91 3.75pc.
Plaxton 5.5p
Portsmouth Wtr. 3% Perp. Deb. 1.5pc.
Do. 3½% Perp. Deb. 1.75pc.
Do. 14% Deb. 1992 7pc.
Do. 13% Red. Deb. 1994 6.5pc.
Do. 10⅝% Red. Deb. 1996 5.3125pc.
Powerscreen Intl. 13% Cnv. Uns. Ln. 1995 6.5pc.
Priest, Marians 6½% Cnv. Uns. Ln. 2000/03 3.25pc.
Property Hldg. & Inv. Tst. 7% 1st Mtg. Deb. 90/95 3.5pc.
RIT Capital Partners 2½% Cnv. Uns. Ln. 2000 1.25pc.
Readicut Intl. 6% Prf. 1.05p
Do. 5¾% 2nd Prf. 2.0125p
Do. 8¾% Uns. Ln. 88/93 4.375pc.
Renold 6¾% 1st Deb. 90/95 3.375pc.
Richards 7½% Deb. 87/92 3.75pc.
Rights & Issues Inv. Tst. Inc. 4.9p
Do. Cap. 0.325p
River & Merc. Tst. 8½% Deb. 89/94 4.25pc.
Rockware 8% Uns. Ln. 95/99 4pc.
Ruston & Hornsby 8% Deb. 87/92 4pc.
SEP Indl. Pfd. 0.9565p
S & U Stores 6% Prf. 2.1p
St. Davids Inv. Tst. 4.4p
Salvesen (Christian) 5.6% Prf. 2.8p
Scottish & Merc. Inv. Tst. 7½% Prf. 2.625p
Scottish Cities Inv. Tst. 5% Prf. 1.75p
Scottish Mortgage & Tst. 8-14% Stepped Int. Deb. 2020 7pc.
Scottish National Tst. 10% Deb. 2011 5pc.
Securities Tst. of Scotland 12% Deb. 2013 6pc.
Do. 4½% Prf. 1.575p
Senior Eng. 9.6% Uns. Ln. 91/96 4.8pc.
Shires Inv. 11% Cnv. Uns. Ln. 2003/04 5.5pc.
600 Group 3.15% Prf. 1.575p
Do. 4.55% 2nd Prf. 2.275p
Do. 8½% Uns. Ln. 87/92 4.25pc.
Do. 11% Uns. Ln. 92/97 5.5pc.
Smith New Court 12% Sub. Uns. Ln. 2001 6pc.
Smith, St. Aubyn 6% Prf. 2.1p
Do. 9½% 2nd Prf. 4.75p
Do. 7% Sub. Uns. Ln. 86/91 3.5pc.
Smith (W. H.) 5¾% Prf. 2.875p
Do. 3¾% Red. Prf. 1.875p
S. A. Breweries 8.2% Prf. 8.2cts.
Do. 7% Red. Prf. 3.5cts.
Stag Furniture 11% Prf. 5.5p
Standard Chartered 12⅞% Sub. Uns. Ln. 2002/07 6.4375pc.
Sterling Estates 8% 1st Mtg. Deb. 88/93 4pc.
Sterling Inds. 1st Prf. 1.925p
TSB Hill Samuel 8% Uns. Ln. 89/94 4pc.
Tate & Lyle 6½% Prf. 2.275p
Do. 7¾% Deb. 89/94 3.875pc.
Do. 8% Uns. Ln. 2003/08 4pc.
Do. 10¾% Uns. Ln. 2003/08 5.375pc.
Thorntons 7¼% A Deb. 91/94 3.625pc.
Do. 9% A Deb. 91/94 4.5pc.
Tootal 5% Prf. 1.75p
Trafford Park Estates 11¾% 1st Mtg. Deb. 2007/10 5.875pc.
Treforest Silk Printers 6% Prf. 2.1p
Triplex Lloyd 5½% Prf. 1.925p
Unigate 3.85% Prf. 1.925p
Do. 4.7% Prf. 2.35p
Do. 5% Uns. Ln. 91/96 2.5pc.
Do. 6½% Uns. Ln. Stk. 91/96 3.25pc.
Union Intl. 6% Prf. 2.1pc.
VSEL Consortium 11% Uns. Ln. 1996 5.5pc.
Volex 7% Prf. 2.45p
Warburg (S.G.) 7⅝% Prf. 3.8125p
Do. 6% Cnv. Prf. 3p
Warner Estate 6½% Uns. Ln. 91/96 3.25pc.
Warner Holidays 6¼% Prf. 2.1875p
Watney, Mann & Truman 6½% Deb. 88/93 3.25pc.
Do. 7¾% Deb. 88/93 3.875pc.
Do. 10½% Deb. 90/95 5.25pc.
Do. 5% Deb. 2000 2.5pc.
Do. 12⅛% Deb. 2008 6.0625pc.
Westland 7¾% Deb. 87/92 3.875pc.
Do. 12⅜% Deb. 2008 6.1875pc.
Westminster Scaffolding 3p
Wigfalls 6% Prf. 3pc.
Do. 6¾% Uns. Ln. 94/99 3.375pc.
Wilkinson & Riddell 5% Prf. 2.5p
Williams 10¾% Prf. 5.375p
Do. Cnv. Prf. 4p
Wilson (Connolly) 8¼% 1st Mtg. Deb. 90/95 4.125pc.
Wintrust 5.75% Cnv. Prf. 2.875p
Do. 10½% Prf. 5.25p
York Trust Cnv. Prf. 3.375p
SUNDAY APRIL 1
DIVIDEND AND INTEREST PAYMENTS-
Aitken Hume Intl. 7% Cnv. Red. Prf. 3.5p
Allied-Lyons 3% Red. Deb. 85/90 1.5pc.
Do. 3¼% Red. Deb. 87/97 1.625pc.
Do. 6¼% Red. Deb. 88/93 3.125pc.
Do. 6¾% Red. Deb. 88/93 3.375pc.
Do. 7¼% Red. Deb. 88/93 3.625pc.
Do. 9¾% Deb. 2019 4.875pc.
Do. 5¼% Uns. Ln. 2.625pc.
Do. 5¾% Uns. Ln. 2.875pc.
Do. 6¼% Uns. Ln. 3.125pc.
Do. 7½% Uns. Ln. 3.75pc.
Do. 7¾% Uns. Ln. 93/98 3.875pc.
AmBase 5cts.
American Tst. 6¼% Deb. 87/92 3.125pc.
Anglo United Cnv. Red. Prf. 3.625pc.
Asda Property 10⅜% 1st Mtg. Deb. 2011 5.15625pc.
Assoc. British Foods 6% Prf. 2.1p
BET 5% Perp. Deb. 2.5pc.
Bristol W. W. 6% Cnv. Red. Prf. 1998 3p
Do. 11¾% Red. Deb. 2004 5.875pc.
Do. 12½% Red. Deb. 2004 6.25pc.
Do. 11.2% Red. Deb. 2005/09 5.6pc.
Brixton Estate 10⅝% 1st Mtg. Deb. 2012 1.6353pc.
Centreway Tst. 11% Prf. 5.5p
Chemical Banking 68cts.
Chesterfield Props. 5¼% Cnv. Prf. 2.625p
Clearmark 12% Cnv. Uns. Ln. 92/97 6pc.
Coastal 10cts.
Colne Valley Wtr. 3.5% (Fmly. 5%) 1.75p
Do. A 7% (Fmly. 10%) 3.5p
Do. 4.9% (Fmly. 7%) 2.45p
Do. C 7% (Fmly. 10%) 3.5p
Do. 2.8% (Fmly. 4%) Prf. 1.4p
Do. 4.025% (Fmly. 5¾%) Red. Prf. 98/99 2.0125p
Do. 6% Red. Prf. 1990 3p
Do. 6¾% Red. Prf. 92/94 3.375p
Conversion 3½% Ln. 1.75pc.
Corp. of London 3% 2007 1.5pc.
Cronite 2.5p
Dwyer 7¼% Cnv. Red. Prf. 3.625p
East Anglian Wtr. 3½% (Fmly. 5%) 1.75pc.
Do. 3½% 1.75pc.
Do. 3½% Perp. Deb. 1.75pc.
Do. 4% Perp. Deb. 2pc.
Do. 7¾% Red. Deb. 91/92 3.875pc.
Do. 9% Red. Deb. 92/94 4.5pc.
Do. 11½% Red. Deb. 95/97 5.75pc.
East Worcestershire W.W. 7% (Fmly. 10%) Max. 3.5pc.
Do. 3.85% (Fmly. 5½%) Prf. 1.925p
Do. 3½% (Fmly. 5%) Max. 1.75p
Do. 6.3% (Fmly. 9%) Red. Prf. 92/94 3.15p
Do. 7% Red. Prf. 3.5p
Do. 2.8% (Fmly. 4%) Prf. 1.4p
Eldridge, Pope 4% 1st Mtg. Deb. Red. 2pc.
Electron House 6½% Cnv. Red. Prf. 3.25p
Elliott (B.) 7% Cnv. Red. Prf. 3.5p
Essex Wtr. 9⅞% Red. Deb. 97/99 4.9375pc.
Do. 11.2% Red. Deb. 2005/09 5.6pc.
Do. 11½% Red. Deb. 95/97 5.75pc.
Do. 11¾% Red. Deb. 2002/04 5.875pc.
Excalibur 0.3p
Extel 10½% Prf. 5.25p
First Chicago 50cts.
Fitch-RS Cnv. Red. Prf. 2007 5p
Fleming Universal Inv. Tst. 5% Prf. 1.75p
GTE 70cts.
General Cons. Inv. Tst. 5.46p
Glaxo 6¾% Uns. Ln. 85/95 1.6875pc.
Greycoat 9½% Prf. 2014 4.75p
Hardys & Hansons 8% 2nd Prf. 3.25p
Hull Corp. 2½% Red. 1938 1.25pc.
ITT 45cts.
Illingworth, Morris 6½% Prf. 2.275p
Do. 6½% 2nd Prf. 2.275p
Kingsley & Forester 3.85% Prf. 1.925p
Kunick Cnv. Prf. 3.5p
Do. Cnv. Prf. 4.498p
Lawrence (Walter) 8.5% Cnv. Prf 4.25p
Lee Valley Wtr. 5.95% Prf. 95/97 2.975p
Do. 7⅛% Prf. 97/98 3.5625p
Leeds (City of) 13½% Red. 2006 6.75pc.
Liverpool Corp. 3% Red. 1942 1.5pc.
MEPC 10½% Uns. Ln. 2032 5.25p
McCarthy & Stone 8.75% Prf. 2003 4.375p
Menzies (John) 9% Prf. 4.5p
Metropolitan Trust 4½% Prf. 1.575p
Do. 5% Prf. 1.75p
Mid Kent Water 8¾% Prf. 1997 4.375p
Mid Kent 10% Prf. 1997 5p
Mid-Sussex Water 7% Prf. 89/90 3.5p
Do. 8¼% Prf. 1996 4.125p
Morgan Crucible 3.85% 1st Prf. 1.925p
Do. 3½% 2nd Prf. 1.75p
Morton Sundour Fabrics 5% 1st Prf. 1.75p
Paramount Communications 17.5cts.
Peninsular & Oriental Steam 5% Pfd. 1.75p
Port of London Authority 3½% 49/99 1.75pc.
Portsmouth Water 8¾% Prf. 1996 4.375p
Do. 2.1% Prf. 1.05p
Prowting 8.8% Prf. 4.4p
Queens Moat Houses 10¼% 1st Mtg. Deb. 5.125pc.
Republic New York 33cts.
Russell (Alexander) 5.75% Cnv. Prf. 2.875p
Sara Lee 21cts.
Sunderland & South Shields Wtr. 3.5% 1.75p
Do. 3.5% 1.75p
Do. 7⅛% Prf. 97/99 3.5625p
Do. 2.8% Prf. 1.4p
TR Trustees 6½% Deb. 87/92 3.25p
Taylor Woodrow 9½% 1st Mtg. Deb. 2014 4.75pc.
Thwaites (Daniel) 5% 1st Prf. 17.5p
Treasury 2½% (1975 or after) 1.25pc.
Wade Potteries 4.2% Prf. 1.05p
Waterglade Intl. 7.75% Cnv. Prf. 3.875p
Westerly 11% Prf. 5.5p
Whitbread 5½% 3rd Prf. 1.925p
Do. 7% Deb. 88/93 3.5pc.
Do. 5¾% Irrd. Uns. Ln. 2.875pc.
Do. 7¼% Uns. Ln. 86/91 3.625pc.
Whitman 25.5cts
Wickes 5½% Cnv. Uns. Ln. 2.75pc.
Wigan 3% Red. 1.5pc.
Witan Inv. 8½% Deb. 2016 4.25pc.
Woolcombers 6% 2nd Prf. 2.1p
Do. 7½% Prf. 2.625p
Xerox 75cts.

FINANCIAL TIMES
SURVEY

One of the world's poorest nations, Bangladesh has a record grain harvest and a competitive advantage in manufacturing because of its low labour costs. President Ershad, after eight years in power, has no obvious challenger. **David Housego** reports

Ershad faces political test

President Husain Muhammad Ershad, "who dresses like an officer in civilian clothes," with his wife

Glyn Genin

BANGLADESH

CONTENTS

AFTER THE calamitous floods that devastated and demoralised Bangladesh at the end of the 1980s, the new decade has opened on a more hopeful note.

With a record grain harvest this year, the country is close to achieving the Government's target of food self-sufficiency by 1992. The record crop, coming in the wake of the reverses inflicted by the floods, reflects long-term improvements in agriculture through more intensive irrigation, higher quality seeds and wider distribution of fertilisers.

With the competitive advantage in manufacturing that Bangladesh gains from its low labour costs, there are some signs that it is beginning to attract the labour-intensive, export-oriented industries that have provided jobs and helped raise living standards in East and south-east Asia. Garment exports have sprung from nothing to an industry earning more than $700m of foreign exchange in eight years.

On the back of Bangladesh's success in the garments sector, the Government hopes to attract investment in toys, leather, and consumer electronics. "We want to catch the tail end of the third wave" of Asia's export-led growth, says Vice President Moudud Ahmed, who is also in charge of industry. He sees Bangladesh as following on the heels of Thailand, Indonesia and Malaysia. To underline this ambition, Bangladesh has recently established a "one-stop" Board of Investment modelled closely on that of Thailand.

After the succession of coups *d'etat* that marked the country's early history following independence in 1971, Bangladesh has had eight years of relative stability under Lt Gen Hussain Muhammad Ershad. With the Opposition badly divided, while the army and the Moslem clergy (in different ways both important power bases) have been carefully nurtured, President Ershad faces no obvious challenger.

But, equally, the Opposition have never allowed him to forget that he took power in a coup himself. They claim that he will not allow free and fair elections and as a result they refused to participate in the 1988 parliamentary election. They have thus denied him the popular endorsement at the polls that would give him political legitimacy and the country the assurance of political continuity. The recent riots in the universities are a sign that Bangladesh remains a volatile country.

However, these advances inevitably remain modest in the face of the magnitude of problems the country faces. With a population of 110m and a per capita income of $160 a year, Bangladesh is one of the world's poorest nations. On official figures, 54 per cent of the population live below the poverty line and only a quarter – maybe less – can read and write.

Over the last 30 years, poverty has sharply increased in the rural areas where 85 per cent of people live. A major cause has been the 2.5 per cent annual growth in population which has reduced the average farm size to under a hectare and increased the proportion of households without land to about 45 per cent. The World Bank calculates that even if the population growth rate halves over the next 40 years, the total population will have more than doubled to 237m.

In economic terms, the 1980s were also a bad decade for the country which was hit by falling terms of trade and diminishing aid flows in the first part, followed by the two worst floods in recorded history in 1987 and 1988. One observer in Dhaka says: "This is a demoralised people," arguing that much of the corruption and of the short-sightedness of policy-making stem from the sense of being faced by overwhelming odds.

President Ershad, who dresses like an officer in civilian clothes and still maintains close links with the military, runs what his opponents call "a martial democracy" and diplomats a "benign dictatorship." Opposition parties are free to campaign but rarely see their views aired on television. The press publishes critical comments on the management of the economy but not of the President. Ministers get far less security protection than in India or Sri Lanka – underlining that ethnically this is a far more homogeneous society than most in South Asia.

Politically, the floods served President Ershad well in demonstrating his human concern in the face of suffering and his qualities as a crisis manager. His authority has since been enhanced by the attention Bangladesh has had from world leaders.

In his projection of a paternal image, in his easy relations with the business community and in many of his more populist measures, he seems more like a south-east Asian leader than one from the Indian sub-continent. Ideologically, he has been casting his eyes more to Thailand and Indonesia for a model of economic growth than to India.

Initially, under the influence of the World Bank and the International Monetary Fund, Bangladesh began to deregulate its tight-knit economy some years ago. It has privatised a good part of industry that was nationalised after independence. It has opened the country to foreign investment, removed some of the restrictions on imports and begun cutting tariffs. It is on the verge of liberalising its banking system.

As yet, these reforms have not brought the domestic or foreign investment that the Government had hoped. Bangladesh remains a country with a long record of labour unrest, bureaucratic hurdles and weak infrastructure.

It is not clear as well whether the Government has the courage to go further in pursuing reforms needed to make the economy more competitive and to cut wasteful expenditure. Over the last year it has allowed current expenditure to surge while failing to enforce the collection of tax revenues. It has jibbed at unpopular decisions like raising gas and fertiliser prices, and closing down loss-making jute and textile mills. The result has been a sharply rising budget deficit and falling foreign exchange reserves.

Disagreements with the Fund and the Bank over the handling of short-term economic policy led the two institutions to withhold about $500m in credits – including the first tranche of an IMF Enhanced Structural Adjustment Facility (ESAF) loan. The donor nations share the same concern – which they see as part of a worrying longer-term trend of current spending growing at the expense of development expenditure and of donor nations being called on to finance a growing proportion of current spending.

Parallel with this concern over macroeconomic policy, donors have been worried at the growing backlog of internationally financed development projects which have been held up by the inability of the government machinery to process them. Spending by IDA, the World Bank's soft window, fell last year to 12 per cent of the funds committed or in the pipeline.

Concern over this has come to a head because donor nations are being asked to finance two major projects in Bangladesh – a $146m flood control programme which is the prelude to a longer term, more ambitious scheme and a $500m multi-purpose bridge across the Jamuna.

The Opposition is too weak to exploit to the full the criticism that has emerged over the short-term management of the economy. Sheikh Hasina, the leader of the Awami League, and Begum Khaleda Zia, the leader of the seven-party Bangladesh Nationalist Party, both refused to take part in the 1988 parliamentary elections. Both movements, however, put up candidates in this month's local "upazila" elections – though the candidates did not contest under their party labels.

President Ershad hopes that their participation in the local elections – they would have lost credibility with the electorate if they had boycotted these as well – will be a prelude to their taking part in the presidential election likely to be held in March 1991. He is supremely confident of winning this. He says: "Do you think the country has any alternative to electing me? They have no alternative." He adds: "It is not in my interest to rig the poll because I don't need to rig (to win)."

If President Ershad does come back to power with the legitimacy that comes of winning a free election, he will have the authority needed to pursue reforms even if they are unpopular. The danger is that he will be denied this legitimacy and that politics in the country could become increasingly ugly.

Traffic on Dhaka's crowded streets Glyn Genin

GDP has recovered but budget deficit is up, says David Housego

Economy slips out of control

AFTER EIGHT years of low growth or of no growth at all, the Bangladesh economy has seen a substantial recovery over the past year.

Hit for much of the 1980s by deteriorating terms of trade, cuts in aid flows and then by two of the worst floods in recorded history, the growth of GDP has averaged 3 per cent in real terms since 1982. With population increasing at the rate of 2.5 per cent a year, this means that per capita income has remained almost stagnant. By contrast, real GDP is expected to rise by 5-6 per cent in the current financial year ending June.

Most of this growth has come from agriculture which, with a record grain harvest of 19.5m tonnes – or close to self-sufficiency – means an increase in output of 13 per cent.

Industry still remains dogged by problems of inadequate demand and over-capacity – particularly in the state-owned sector which accounts for 40 per cent of industrial assets and where the old textile and jute mills are still making heavy losses.

The bright spot is the garments industry, which is now the country's main export earner, and from which foreign exchange receipts have leapt from only $7m in 1982 to over $700m this year. In the wake of this snowball expansion, there are increasing hopes that Bangladesh will be able to gain a foothold in some of the other low cost manufacturing industries – such as consumer electronics, leather and toys – which are now being shed by East Asia.

But while the rebound in the economy has been a comfort to the administration, this year the major preoccupation in discussions between the Government and donor nations has been the sharp deterioration in public finances and the balance of payments which threatens longer-term development goals. Disagreements over macroeconomic management have strained relations with the donor nations and resulted in the International Monetary Fund and the World Bank withholding credits – including the first tranche of the IMF enhanced structural adjustment facility (ESAF) of about $500m.

The main source of dispute has been the emergence of an unexpectedly large deficit of Taka 10bn (equivalent to about 1.5 per cent of GDP) in the Government's current budget after a forecast of a surplus of Taka 9bn in the initial budget estimates.

The deficit, financed by borrowings from the banking system, represents the gap between current spending and the combination of revenue receipts and foreign assistance through commodity aid.

The effect of the deficit is that donor nations are unwillingly funding both the development budget and an increasing proportion of current expenditure as well. Also because the Government's contribution to development through taka counterpart resources has fallen, overall development expenditure has declined as well. In the current financial year, spending on development is likely to fall back to about Taka 45bn – or much the same as in 1988-89 – as against a planned Taka 58bn. More worrying is that over the longer term development spending has declined as a proportion of GDP from 13.3 per cent in 1983 to 6.7 per cent in 1988. Current spending over the same period has risen as a proportion of GDP from 6.6 to 8.1 per cent.

On the balance of payments side, the current account deficit has widened to about 8 per cent of GDP with the foreign exchange reserves halving to $450m – equivalent to about 1.5 months of imports. In the first seven months of the financial year (June-January), imports of non-food products grew by 43 per cent compared with the same period in 1988-89.

"Sometimes a little extravagance, a little daring is rewarded"

The Government and the donor community are at odds over the reasons why the economy has slipped out of control in this manner – especially as in the mid-1980s Bangladesh built up a reputation for sound short-term economic management. On the Government side, the tendency is to blame the budget deficit on the combination of precautionary food stockpiling after the floods – unexpectedly followed by the large grain procurement programme in the wake of a record harvest. Dr Wahidul Haq, who resigned as Minister of Finance earlier this month, said: "An unexpected deficit in the food budget has slashed the development budget."

The IMF and the Bank think that the fiscal deficit is also due to a surge in current spending by the Government and to a failure to enforce revenue collection – particularly customs duties. Dr Haq seemed less worried by the deficit than the Fund or the Bank. He said: "Sometimes a little extravagance, a little daring is rewarded. Growth with stability is desirable ... But stability without growth is no good."

The swelling of the current account deficit reflects in large measure the growth of the fiscal deficit. But the pick-up in the economy, import liberalisation and fraudulent invoicing by importers have also played their part.

Under strong pressure from the IMF and the Bank, the Government has begun to take measures to tackle both the fiscal and the balance of payments deficit. In February, importers were required to provide a 50 per cent cash deposit when opening new letters of credit – a move with damaging side-effects on industry as it pushes up the cost of raw materials. In March this was followed by a 5 per cent devaluation of the taka which had remained pegged to the dollar since November 1988. But the depreciation – far below the 15 per cent that the IMF was seeking – is still insufficient to make good the taka's loss of competitiveness against other regional currencies.

On the fiscal side, the Government has indicated that it will hold the deficit to under Taka 10bn this year. The Fund has said that unless it sees a serious demonstration of the Government's determination to control expenditure, it is unwilling to resume negotiations on an ESAF SDR 300m credit suspended in November.

Still in dispute between the Government and the institutions are issues such as increasing gas and fertiliser prices, and raising the price of diesel oil. As of January 1 the Government cut petrol prices by 40 per cent in a move that appalled the Fund but which was designed to reduce diesel consumption.

The disagreements have been serious enough for there to have been talk of postponing the normal April meeting of the Bangladesh Aid Consortium. The Government is dependent on the $500m of commodity aid expected to be pledged at the meeting to draw up the annual budget.

But though some compromises seem increasingly likely, it would be wrong to dismiss the dispute as a storm in a teacup. In part, it represents hostility within the administration to IMF-style measures. At the same time, there is a strong temptation for the Government to boost current spending in a electoral year as a way of buying popularity.

Beyond this preoccupation with short-term economic policy lies the wider issue of donor nations' concern at the slow pace of development project implementation. One reason for this is the shortage of counterpart taka funds. But the other reason is the inefficient and cumbersome administrative machinery which has resulted in the build-up of a large backlog of unrealised projects for which aid funds have been committed. Last year the ratio of IDA funds spent in Bangladesh compared with aid in the pipeline or committed shrank to a meagre 13 per cent.

This issue has come to a head with the prospect of Bangladesh taking on two further substantial projects – the $500m multi-purpose bridge across the Jamuna River and the new programme of flood control measures backed by the international community. The World Bank is trying to ensure that before these get under way, the Government has streamlined its development programme to focus on only priority measures.

On other fronts, the liberalisation of the economy continues – but more slowly. A large wave of privatisation in the mid-1980s – 558 units were transferred – has been followed by much slower progress in restructuring and drawing the private sector into such areas as textiles, jute, machine tools and fertilisers. Public sector losses remain heavy because of their difficulties in shedding labour and improving productivity.

As from this year banks have been given more freedom in setting deposit and lending rates. But the local (non-foreign) banking sector – accounting for about 92 per cent of the market – is burdened with substantial non-performing loans. A World Bank credit likely to go through soon is aimed at helping to improve the efficiency of the financial sector.

For the new five-year plan that begins this year, the Government projects what it considers a conservative average annual 5 per cent growth in GDP. If achieved, that would produce an overall improvement in living standards. But it remains well below Bangladesh's potential.

KEY FACTS

Population	100.6m
Land area	143,999 sq km
ECONOMY: 1989 (1988 figures in brackets)	
Nominal GDP ($m)	19,590 *(19,014)*
Real GDP ($m)	15,360 *(15,365)*
Real GDP (% change)	-1.5 *(2.6)* (1979-89) 0.5
Current account balance ($m)	-353 *(-287)*
Merchandise exports ($m)	1,212 *(1,291)*
Merchandise imports ($m)	-2,850 *(-2,735)*
Trade balance ($m)	-1,638 *(-1,444)*
Trade balance/GDP (%)	-8.4 *(-7.6)*
Consumer prices	10.2% (first 6 months) *(9.3%)*
MAJOR EXPORTS in 1989:	
Jute products ($m)	239 *(293)*
Raw jute ($m)	75 *(78)*
MAJOR IMPORTS IN 1988 ($m):	
Machinery and transport equipment	556 *(422)*
Other manufactured goods	563 *(610)*
Food	497 *(494)*
Export volume (% change)	-11.5 (14.3)
Import volume (% change)	-1.00 (13.5)
Destination of exports (%)	US 26.0; Japan 5.7; UK 5.9; Italy 9.8; EC 28.5; Middle East 5.8; Asia 11.4.
Origin of imports	US 4.5; Japan 15.6; UK 4.0; Netherlands 3.4; EC 11.8; Middle East 7.3; Asia 25.0.
DEBT: Foreign indebtedness ($m)	11,066 (1989) *(10,257)*
Interest payments ($m)	159 *(153)*
Total debt/GDP	56.5 per cent *(53.9)*
Interest payments/exports	10.3 per cent *(9.4)*
CURRENCY: 100 paisa = 1 Taka.	Taka 32.27 *(31.73)* = US$1

BANGLADESH 3

Life on the Brahmaputra River

Glyn Genin

David Housego assesses the impact of the floods of 1987 and 1988

World's modest hand of friendship

THE DISASTROUS floods that hit Bangladesh over two successive years in 1987 and 1988 caught the attention of the world, as have few other natural calamities in recent times.

Though the $146m internationally financed, five-year flood control programme that emerged from this concern seems modest – particularly after the grandiose multi-billion dollar projects that were proposed at the time – it represents a realistic start towards an imaginative long-term programme.

For what was already one of the poorest countries in the world, the floods were a catastrophe. Explanations offered at the time – that they were the result, for instance, of deforestation in the Himalayas – have not found support from studies done since. Nor is there still any real proof that the "greenhouse effect" is causing a rising of the water level in the Bay of Bengal that could lead to even worse inundations of the country.

The 1987 floods which covered more than a third of Bangladesh were largely due to intense rainfall over the north-west – normally experienced every 100 or 150 years – which caused a record rise in the Ganges. About 1,800 people lost their lives with damage to crops, housing, embankments irrigation systems, schools, fish farms and inland transport facilities costing over $500m.

The following year's flood was caused by exceptional rainfall in the last 10 days of August over India, Bhutan and Nepal. The result was that the flood peaks of the Brahmaputra and the Ganges – normally well separated – occurred at the same time with devastating effects below the confluence of the two rivers.

The 1988 flood inundated two-thirds of the country, causing 2,300 deaths and $1.3bn in damage. Much of Dhaka was under water with the country's rail, road, river and telecommunications system completely disrupted.

In the wake of the flood, the Government commissioned a study from the UN Development Programme and its own experts to assess what measures were needed that would also attract financing from the international community. This study became the basis of the "Action Plan for Flood Control" adopted by donor nations at a meeting convened by the World Bank in London in December 1989.

The other major study was commissioned by the French Government. This called for a $10bn programme of embankments along the Brahmaputra-Ganges-Meghna river system.

Though impossible to finance, President Mitterrand's persistent lobbying over flood control for Bangladesh and his success in getting it put on the agenda of the world economic summit provided Bangladesh with worldwide publicity.

"President Mitterrand lent Bangladesh the prestige of the French presidency," says Mr Zahir Jamal, the assistant resident representative for the UNDP in Dhaka who himself has been a driving force behind the measures adopted so far.

The Action Plan programme is based on the belief that flood control measures should be concentrated within Bangladesh. This means the shelving of earlier US proposals that the governments of India, Nepal and Bangladesh should be involved in much more ambitious schemes for harnessing the upper waters of the river systems so as to use them for both irrigation and electricity.

Apart from the difficulties of securing agreement among the three, the flooding in Bangladesh largely stems from rainfall over the plains. Multi-purpose dams built on the headwaters would not tackle this problem.

A second principle behind the Action Plan is that flood control measures should be linked to increasing agricultural production. The assumption behind this is that donor nations would not finance measures aimed at forestalling a catastrophe that might not recur within the next 50 years.

One of the most imaginative proposals in the scheme is thus a proposal to use embankments as one wall of a "compartment" in which agriculture is developed through regulating the water level and drainage.

A third key assumption behind the Plan is that flood control measures – particularly the channelling of such large water flows through embankments – could have unpredictable consequences on the ecology of Bangladesh, including its agriculture, fisheries and irrigation systems. The Plan is therefore based on pilot projects backed by testing and appraisal – a slow and piecemeal approach but one aimed at avoiding unexpected side-effects.

The other major principle behind the Plan is that both in macroeconomic terms and in handling large projects, Bangladesh already has on its hands as much as it can manage. The five-year programme is thus seen as the prelude to a further $500m plan which in turn will be part of a long-term, 20-30 year programme.

Over the coming five years, the major effort will be concentrated on strengthening the right embankment of the Brahmaputra and improving flood control and drainage in the north-west; on further flood control along the Ganges right back and in drainage in the south-west; and in new flood control measures for the left bank of the Meghna.

At the same time pilot projects will be carried out in areas such as "compartmentalisation," river training and fisheries. Flood warning systems are to be improved. There will also be a host of more detailed studies into the operation and agricultural and environmental impact of existing flood control schemes.

In an effort to avoid the delays that have dogged so many development projects in adopted to speed approval and implementation of the flood control schemes. This has the President at its head and involves the heads of key government departments to secure co-ordination.

Among the donor countries participating in the various projects are Japan, France, Germany, Canada, Switzerland, the US and Britain (with responsibility for the environmental study among others). Most of the projects should be under way this year.

Reazuddin Ahmed looks at the country's mainstay: agriculture

The goal of food self-sufficiency

WITH A record food crop, Bangladesh appears to be on its way to achieving self-sufficiency in food. The 19.5m tons of foodgrain production this year is only 500,000 tons short of the Government's goal of self-reliance in food by 1992.

This year's harvest comes in the wake of two disastrous years when crops were destroyed by the worst floods in recorded history.

Agricultural output has been stagnant or fell in some cases in the past three years. But this year's 13 per cent growth reflects a long-term improvement in ground and surface water irrigation and liberalisation of fertiliser distribution.

Bangladesh is still predominantly an agricultural country, with 80 per cent people of depending on it. Mr A K Khundaker, Planning Minister, has drawn a new strategy in the fourth five-year plan, scheduled to be launched in July, to diversify the crop patterns and food habits of the people. The strategy lays stress on production of more vegetables, development of poultry, dairy and fisheries to improve the protein intake of the under-privileged in the rural areas.

The poverty alleviation programme has been integrated with the development of agriculture which provides the largest number of jobs in the country. About 53 per cent of the people of Bangladesh are under the poverty line.

The Bangladesh Government plans to offer the 48 per cent of landless people fallow land to build houses, together with backyard poultry and vegetable farms. Moves are also afoot to motivate the people to change food habits, reducing their dependence on rice.

The fourth five-year plan attaches top priority to rural development, poverty alleviation and integration of women in development activities.

The World Bank mission in Dhaka sees the possibility of achieving food self-sufficiency within a stipulated time with the present thrust on liberalisation of marketing agricultural inputs and expansion of the irrigation network.

Hardly 25 per cent of the country's arable land has been properly irrigated and the fourth plan target is to double that. If floods can be tamed, say the planners, Bangladesh can switch from its traditional food deficit to a food surplus.

The potentials were amply demonstrated in good results from the present level of irrigation. The World Bank in Dhaka, although rating the growth as encouraging, strongly feels that the food production level has not yet been stabilised and this year's growth was largely due to favourable weather.

The agricultural sector has been given the highest allocation – 30 per cent of the outlay of Taka 667bn – in the fourth plan. The basic strategy outlined in the new plan includes: incentive prices for growers; price stabilisation for consumers; elimination of input subsidies to achieve a more favourable income distribution; improving nutritional standards; privatisation of input distribution; expansion of irrigated areas under high-yielding varieties; higher doses of fertilisers; implementation of the land reform measures.

In 1988-89 the Bangladesh Government initiated measures to remove restrictions on private trade in agricultural inputs. These changes brought a large increase in sales of major irrigation equipment and fertiliser. The abolition of import duty on irrigation equipment and power tillers boosted sales of these items. Growing use of mechanised systems in agriculture reduced the farmers' dependence on cows for ploughing the land.

With higher growth in foodgrain production in 1990 Bangladesh faces the challenge to continue growth by diversification. This may leave enough surplus grain, opening new opportunities for setting up agro-based industries to generate more rural employment.

The agricultural sector, even with a higher growth rate, is probably unable to absorb a greater labour force. The country has about 10m unemployed people. Agro-based industries are considered to be a good way of providing people with jobs. Bangladesh agriculture may get a further boost if the crop diversification programme can be pursued successfully. Canada and the Netherlands are currently financing the diversification programme.

Overall agricultural productivity still remains at a low level, although the food sector has been showing steady growth. Incentive prices to farmers and further mechanisation of the farm sector are pre-requisites for improving the overall growth in agriculture. The production of non-food crops such as jute, sugarcane pulses, tobacco and vegetables is still very low. Productivity of these crops has been either stagnant or has fallen over the past two decades.

Jute is an important cash crop in Bangladesh. It earns foreign exchange and injects liquidity into the rural economy to improve purchasing power. But unstable prices, at times below cost of production, discourage farmers from growing this raw material. Production has fallen nearly 30 per cent in the past two decades. The large-scale use of synthetics has also reduced jute's competitiveness. The new hope is that environmental reasons will encourage the use of jute, which is free from pollution.

Sugar cane production seems to be uneconomic in Bangladesh. At least, the World Bank thinks so in view of the lower production and smaller sugar content in the country's sugar cane. But the Bank encourages this crop to improve the quantity and sugar content in it.

Production of pulses has dropped alarmingly, so that last year the country spent $5m in importing them. This year spending on pulse imports stood at $34m. Similarly, production of onions has fallen gradually. The country will have to foot a $5m bill to import them.

Bangladesh's agricultural policy may lay too much stress on food grain production. Growth in the sector cannot accelerate unless production of other crops is stepped up.

Overall agricultural growth has remained below the population growth of 2.4 per cent over the past five years. That has inhibited growth of the gross domestic product because agriculture contributes about 60 per cent to country's GDP.

David Hayes

A melon stall at Sadderghat fruit market, near Dhaka

Checking cement sacks, imported from Indonesia and unloaded at Sadderghat, port of Dhaka

Reazuddin Ahmed sees signs — albeit small ones — of an industrial revival

Exporters' competitive advantage

AFTER TWO years of depression following the devastating floods of 1988, there are small signs of revival in industrial investment and production in Bangladesh. But the manufacturing sector, at under 10 per cent of GDP, represents almost as small a share of the economy as two decades ago.

The most striking growth has been in the export-oriented industries sector where Bangladesh has attracted some of the manufacturing which has become too costly in East Asia.

A sign of the increasing interest is that the Ministry of Industries claims to have received 27 overseas investors' delegations over the year, of which 14 came from Japan. Others were from the US, Canada, Europe and East Asia. For the average daily wage in Bangladesh is only Taka 54 ($1.60).

As products from the Asian giants will cost more in the US, a new investment wave may reach Bangladesh

Among the 52 new companies moving to the Chittagong Export Processing Zone (EPZ), 32 have already started production. Industries setting up in the EPZ include clothing, towels, perfumery, sugar refinery, artificial leather, fishing and golf equipment, headwear, electronics, electrical goods, furnishings, textiles, fabrics, steel chains, toys and artificial flowers. The companies are from Japan, South Korea, Holland, Hong Kong, Pakistan, Singapore, Sweden, Britain and the US.

PRIVATE SECTOR INVESTMENT*

Figures in millions of takas

Year	Domestic	Foreign	Total
1985-86	6,754.065	93.558	6,847.623
1986-87	10,348.537	2,336.864	12,685.401
1987-88	6,314.589	2,677.739	8,992.228
1988-89	11,157.403	3,158.585	14,315.988
1989-90†	10,479.142	1,688.640	12,167.782

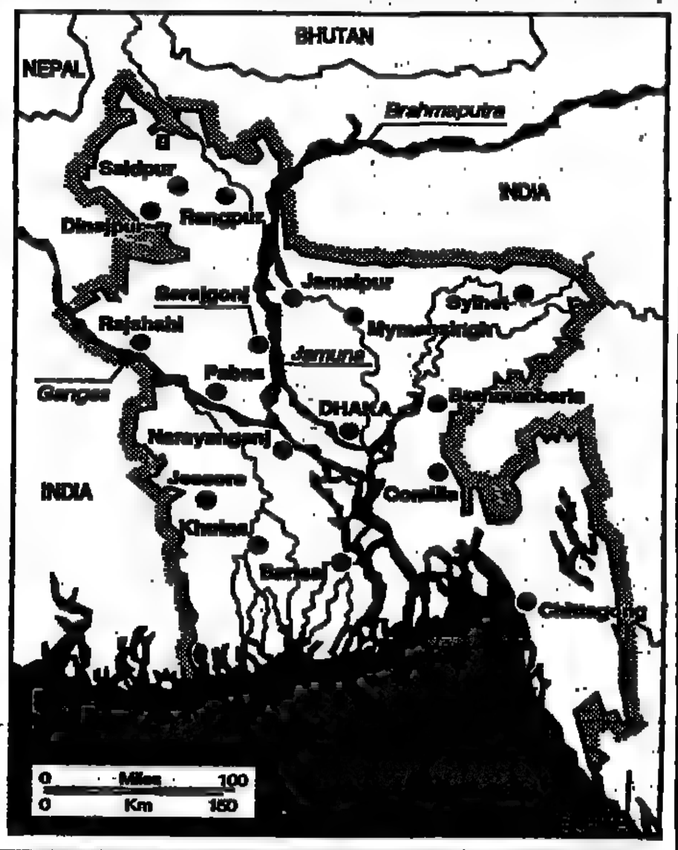
*Large and medium industries †To January 1990 Source: Industries Ministry

Another export processing zone for hi-tech industries is to be established in Savar, 35 kilometres from Dhaka international airport. Vice President Mdoud Ahmed, who is in charge of the Ministry of Industries, sees Bangladesh as having a competitive advantage in garments (now the country's largest export industry), shrimps and frozen food, finished leather, electronics and toys.

The general system of preferences (GSP) facilities for the Asian giants – South Korea, Taiwan, Singapore and Hong Kong – in the US have been withdrawn and the products from these countries will cost more in the American market. Investors are now moving to the Philippines, Indonesia, Malaysia and Thailand. Bangladesh has been making every effort to get in on this new investment wave.

In the electronics sector small units assembling televisions, video recorders and radios for the domestic markets and for sale to India have mushroomed. Smuggling of electronic goods to India has become extremely profitable because electronic components are imported into Bangladesh at 10 per cent duty which is well below the Indian tariff.

Nevertheless, the export sector has failed to live up to the Government's hopes. Though Bangladesh has introduced attractive incentives, foreign investors are still worried about the country's political stability, strikes, low labour productivity and uncompetitive currency compared with other countries in Asia. But officials counter with claims of a firm commitment to liberalisation, cheap energy, a reservoir of cheap labour and a growing domestic market as strong inducements for profitable ventures both in import substitution and export-oriented industries.



The Government recently established a Board of Investment to help both foreign and local entrepreneurs to set up industries quickly. Mr Musharraf Hussain, the Industries Secretary, says the BOI was modelled on similar institutions in Thailand, Malaysia and Ireland. Early indications are that the BOI has resulted in a pick-up in investment.

It is yet to be seen whether shares in ailing nationalised industries will be attractive to investors

The traditional industries, such as jute, textiles and consumer goods, suffer from inadequate demand and over-capacity. Now the Government is planning to offload 49 per cent of the shares of these industries by restructuring the capital.

The Government also intends to sell off its remaining 40 per cent of assets in the nationalised sector. Mr Mdoud Ahmed says the state will not keep any industry under its control except those on the "reserve list."

But it is yet to be seen whether the shares in these ailing industries will be attractive to investors. Privatisation has become the centrepiece of the Government's industrial policy for the past few years but progress has been slow.

To improve the investment climate, the Government has announced a package of incentives to attract foreign investors. These include:

□ setting up of industries without prior approval – if the project cost does not exceed Taka 100m (US$3.3m), the foreign equity does not exceed 49 per cent and the proposed industry is not on the "discouraged" list;
□ foreign equity to the extent of 100 per cent is allowed in the export processing zone;
□ foreign investment is protected by law;
□ repatriation of capital gains and all post-tax dividends, remittance of royalty and technical fees and re-investment of repatriable dividend is treated as new foreign investment;
□ tax holidays ranging from five to 12 years, exemption of tax on interest on foreign loans, a liberal investment allowance for tax assessment, relief from double taxation for foreign investors;
□ tariff protection up to four years, long-term credit from industrial financing institutions, income tax exemption for foreign technicians, remittance of 50 per cent salary;
□ joint venture companies with capital up to $1.65m need not issue public shares, foreign companies can borrow full working capital from local banks;
□ no restrictions on employment of foreigners in management and technical positions.

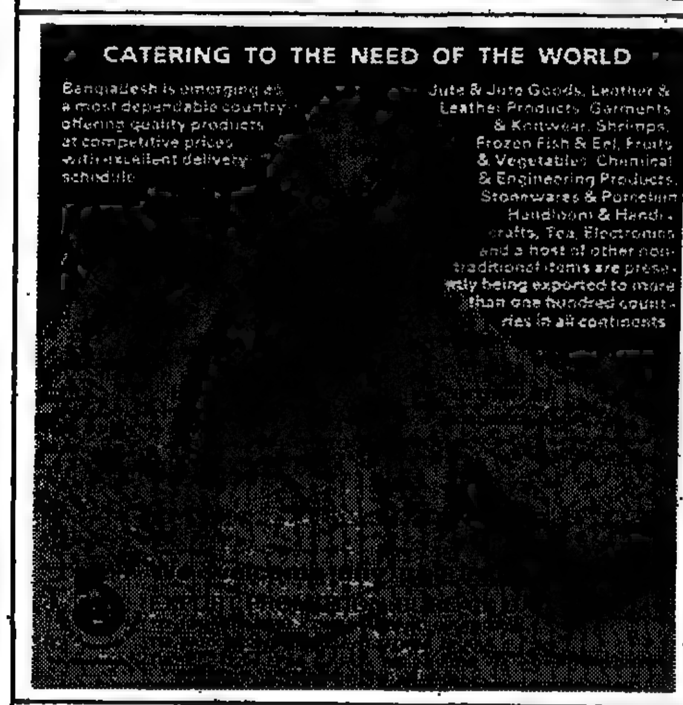
To encourage foreign investment in export-oriented industries, there is no expenditure limit on foreign travel, training or research for such ventures. Industries in the Chittagong EPZ enjoy five to 10 years' tax holiday, after which they have 50 per cent income tax exemption.

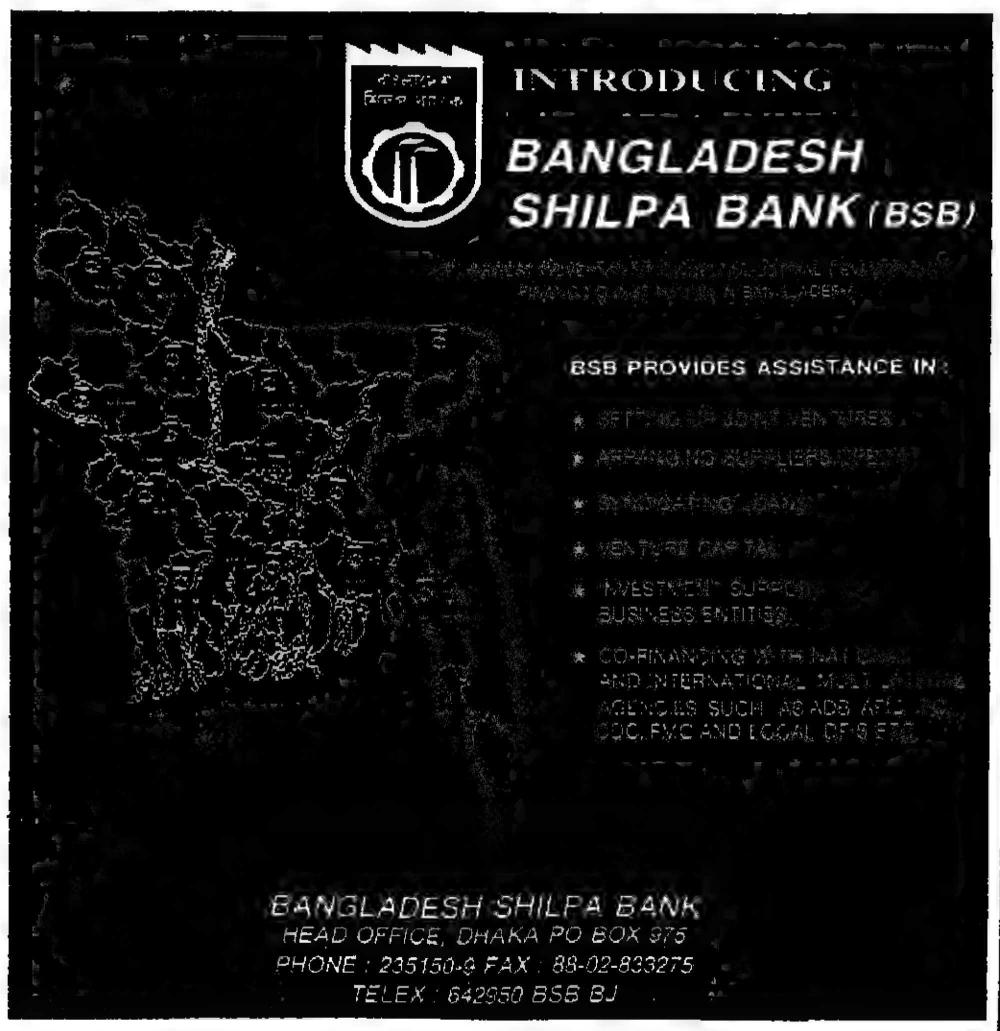
The industrial liberalisation policy is slowly having an effect. Bangladesh is likely to liberalise further in the next fiscal year.

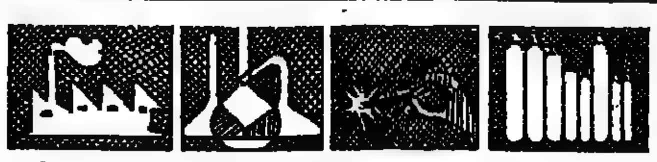
FT COUNTRY SURVEYS: ASIA

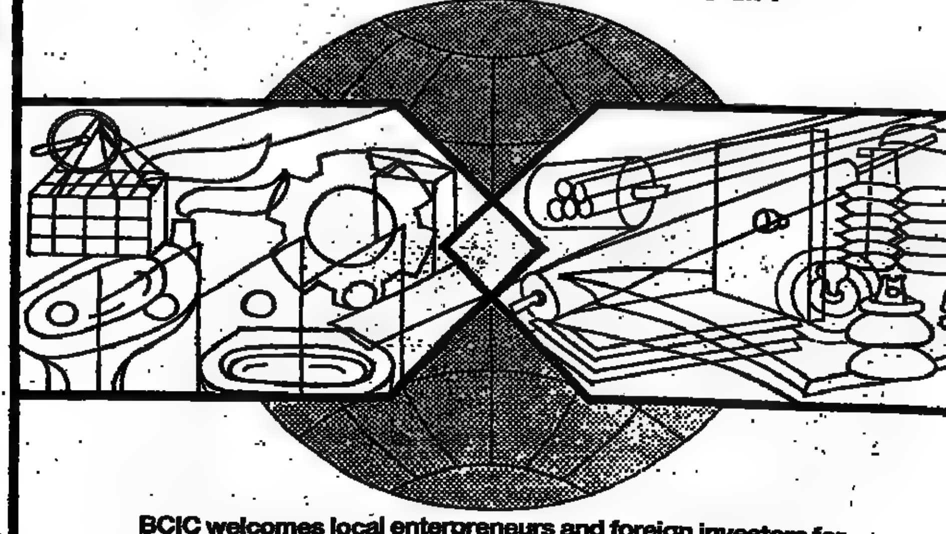
July-Dec 1989
Pakistan .... July 3
Japan .... July 10
Indonesia .... Sept 1
Malaysia .... Sept 28
Taiwan .... Oct 10
Singapore ... Nov 13
Thailand .... Dec 4
China .... Dec 12
Back copies 873-4683-4

FORTHCOMING
India . April 24 1990
South Korea ... May
Hong Kong .... June
Japan .... July
Inquiries 873-3337









BANGLADESH 5

David Housego examines one of the country's success stories

Textiles: low-cost labour sets off helter-skelter growth

TURN DOWN a side street in central Dhaka, climb up the concrete steps of a new tenement block, and the chances are that you will step into one of the success stories of today's Bangladesh.

The garments industry has sprung up from nothing over nine years into a sector employing 300,000 people and exporting over $700m goods a year – or about 37 per cent of the country's export earnings.

In the 1980s Koreans looked for a cheaper production centre

With a barely visible sign on the outside of the building and sometimes a warning at the door to keep visitors out, garments manufacturers have taken over a storey or two of buildings in the central city – much as in the past they did in Hong Kong, Seoul or Taipei. Young girls work 10 or 12 hours a day cutting, sewing, and fixing collars on shirts that end up in the department stores of the US and Europe.

Bangladesh got into garments through Korean manufacturers who already in the early 1980s were looking for a cheaper producing centre – and one without quota problems. Shamsur Rahman set up Youngones (Bangladesh) in a joint venture with Youngones of South Korea to manufacture ski-wear before expanding into his own fully-owned garment group, Stylecraft.

Nurul Kader Khan, a former senior civil servant, set up Desh in Chittagong – the other major garments centre – and sent 130 people for training with Daewoo. Other Korean manufacturers to enter an industry that is dominated by shirts were Dosung and Shinan.

Bangladesh's key advantage is its low-cost labour. Stylecraft pays Taka 650 (about £13) a month for a girl just starting and Taka 2,500 for an experienced operator. Its low end of the market shirts sell at $31.50-33.50 a dozen and its top quality ones at $5.50 each (to buy them in a New York department store you would probably have to pay $27-28). Other manufacturers reckon that at the low end of the market Bangladesh is $8-9 cheaper than Hong Kong and $3-4 cheaper than Sri Lanka.

Its other main advantage is that garments exports from Bangladesh to Europe are still not subject to quotas – though manufacturers believe that will change as the industry continues to grow and the 1992 landmark in Europe for the creation of the single market draws near.

With as yet no back-up industry, garments manufacturers have to import virtually all they need – from cloth to buttons. The Government demands a minimum 25 per cent value added – which is in effect the cost of the labour. Profit margins are slim, with a 3-5 per cent mark-up being the norm.

In Chittagong, Tootal is setting up a polyester factory

In what has been a period of helter-skelter growth, some 750 units have been set up. The Government allows foreigners to hold 100 per cent equity. But many of the smaller local units have run into trouble through difficulties over bank financing, delays at the customs, pilfering and failure to meet shipment dates. Stylecraft says it has kept its head above water by an unyielding insistence on quality.

As a result of what Mr Rahman calls the "untold miseries of the garment industry," many manufacturers have gone broke. This has led to some consolidation, with the stronger companies taking over several of the weaker ones. In any case, many of the smaller units lack the marketing skills or the knowledge of the international textile trade to hold their own against the agents which are the dominant force on the purchasing side.

With the industry now a substantial size, backward integration is beginning. Tootal of Britain is establishing a polyester and cotton thread factory at Chittagong to supply both the domestic market and the garments exporters.

Other manufacturers are diversifying into different export sectors where there is the same premium on cost, quality and fast turn-around times. Mr Rahman, for instance, is discussing with General Electric of the US the possibility of making digital telephones for the US market.

With jobs in short supply in Bangladesh, employers can dictate terms to their workers. In some factories girls of 12 (and possibly younger) are taken on to work an official eight-hour day, which often extends to 10 or 12 hours.

As against these abuses, one benefit to which officials point is that in areas where the garments industry has grown, the birth rate has fallen. And the country's population explosion is probably its single greatest problem.

Profile: *MOHAMMADI GARMENTS*

Men who make the shirts

MR Annisul Haq, who runs Mohammadi Garments with two partners, set up the company four years ago on a loan guaranteed through his father's civil service pension. His two partners sold their wives' jewellery as their contribution to the start-up capital.

Mr Haq believes quality is higher with a male workforce

Mohammadi now employs 1,800 people, has sales of over $10m a year and reckons that it is one of Bangladesh's top five garments exporters.

Mr Haq decided to set up on his own in 1985 after working as marketing director with another garments group. His two partners were also already involved in the industry – the production director being among the small group of Bangladeshis who were sent by Desh Garments to Korea to learn from Daewoo, the Korean conglomerate and textiles giant.

In 1985 they began with orders from a US and a German group, a letter of credit from the bank and a labour force of 52.

"We were able to secure orders because of our combined experience and because we were known," Mr Haq says.

Though government policy is to support the garments sector, Mr Haq says that bureaucratic procedures are still a nightmare for manufacturers.

Before bringing cloth into the country a manufacturer is required to provide both a "risk" bond and an "import" bond. Under the import bond he guarantees to pay 250 per cent of the cloth if it is not re-exported. If a manufacturer decides to shift production from one factory to another to meet tight delivery times, he has to return to the customs to get a further bond.

Notwithstanding the difficulties, Mohammadi has expanded from one factory to six. The others have been purchased from garments manufacturers who had to quit after making losses. In addition Mohammadi sub-contracts work to another eight factories.

Annisul Haq, of Mohammadi

About 95 per cent of the company's production comes from shirts. In the US it sells to K-Mart and Oxford Industries at the lower end of the market and to Blue Print at the upper end. Last year Mohammadi purchased Taka 10.2m worth of US quotas from other Bangladesh garment manufacturers.

"We live five months of the year from US quotas and the remaining seven from sales to Europe," Mr Haq says.

Part of Mohammadi's strength is a knowledge of the international garments market. Mr Haq flies to Hong Kong and Bangkok to see buyers as well as meeting them in Bangladesh. At one of its Dhaka factories, Mohammadi provides samples of shirts copied from models in fashion in the US and Europe.

The group's marketing strength means that it is not dependent on intermediaries from Korea or Hong Kong to provide orders. "The Koreans are sucking the blood out of the Bangladesh industry," Mr Haq says, "because of the low margins they allow."

Women are given headscarves to cut the risk of accidents

Mohammadi is unusual in that its first factory had an all-male work force. Mr Haq believes that in the garments industry quality is higher with a male workforce – the only problem being that the turnover of staff is greater. Mohammadi is one of the textile groups that pays particular attention to working conditions – providing employees with uniforms and head scarves in the case of girls, to cut down the risk of accidents.

With demand so buoyant, Mr Haq says that his company could easily increase its labour force by a third but he does not want the additional responsibility of taking on more factories.

Nevertheless, Mr Haq is considering the possibility of expansion in other industries being shed by East Asia, such as toys and luggage.

David Housego

WORLD STOCK MARKETS

AUSTRIA
[illegible]

BELGIUM/LUXEMBOURG
[illegible]

DENMARK
[illegible]

FINLAND
[illegible]

FRANCE
[illegible]

GERMANY
[illegible]

ITALY
[illegible]

NETHERLANDS
[illegible]

NORWAY
[illegible]

SPAIN
[illegible]

SWEDEN
[illegible]

SWITZERLAND
[illegible]

SOUTH AFRICA
[illegible]

AUSTRALIA
[illegible]

HONG KONG
[illegible]

MALAYSIA
[illegible]

SINGAPORE
[illegible]

JAPAN
[illegible]

CANADA

TORONTO
Closing prices March 23

[illegible]

MONTREAL
Closing prices March 23

[illegible]

INDICES

NEW YORK

DOW JONES	Mar 23	Mar 22	Mar 21	Mar 20	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
¢Industrials	2704.28	2695.72	2727.93	2738.74	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	90.63	90.64	90.52	90.43	94.15 (2/8/89)	87.35 (23/3/89)	—	—
Transport	1170.87	1158.78	1171.94	1179.05	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	213.72	212.90	214.98	215.79	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

¢Day's High 2722.75 (2734.01) Low 2688.06 (2674.32)

STANDARD AND POOR'S	Mar 23	Mar 22	Mar 21	Mar 20	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	337.22	335.69	339.74	341.57	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	391.34	389.56	394.25	396.45	411.20 (2/1/90)	318.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	27.83	27.68	28.16	28.35	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	185.45	184.70	186.82	187.71	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	361.61	360.48	363.15	363.42	397.03 (10/10/89)	305.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	437.25	434.51	439.30	440.08	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Mar 16	Mar 9	Mar 2	year ago (approx.)
Dow Industrial Div. Yield	4.00	4.08	4.26	3.70

	Mar 21	Mar 14	Mar 7	year ago (approx.)
S & P Industrial div. yield	3.05	3.09	3.09	3.13
S & P Indl. P/E ratio	14.97	14.80	14.74	13.17

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
A T & T	7,272,000	41⅛	+ ⅛
Philip Morris	1,435,500	39⅝	+ ⅜
Beverly Ent.	1,404,000	4⅜	+ ⅛
Perkin Elmer	1,280,200	23⅞	− ⅛
Am. Express	1,275,500	27	+ ⅛
Waste Mngmt.	1,258,800	33⅝	—
Western Union	1,173,500	⅝	+ 1/16
IBM	1,148,300	105	− 1⅛
Ames Dept.	1,114,900	4⅝	—
LTV Corp.	1,064,800	1⅛	− ⅛

TRADING ACTIVITY

† Volume Millions	Mar 23	Mar 22	Mar 21
New York	232,070	178,376	130,990
Amex	11,490	12,690	12,162
NASDAQ	(a)	146,217	131,083
Issues Traded	1,963	1,962	1,956
Rises	672	390	588
Falls	761	1,194	873
Unchanged	530	410	495
New Highs	19	10	20
New Lows	37	36	47

CANADA

TORONTO	Mar 23	Mar 22	Mar 21	Mar 20	1989/90 HIGH	1989/90 LOW
Metals & Minerals	3178.20	3176.70	3226.84	3252.39	3919.2 (1/9/89)	2921.0 (23/2/90)
Composite	3701.50	3705.00	3735.84	3744.60	4037.8 (6/10/89)	3350.5 (6/1/89)
MONTREAL Portfolio	1900.19	1902.28	1923.58	1929.86	2069.68 (10/10/89)	1677.48 (3/1/89)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (a) Unavailable.

	Mar 23	Mar 22	Mar 21	Mar 20	1989/90 HIGH	1989/90 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1567.4	1566.4	1587.7	1596.0	1781.8 (29/8/89)	1412.9 (7/4/89)
All Mining (1/1/80)	820.8	816.2	825.8	833.9	875.1 (29/8/89)	662.6 (7/4/89)
AUSTRIA						
Credit Aktien (30/12/84)	677.69	686.07	694.44	699.05	703.29 (19/3/90)	219.5 (2/1/89)
BELGIUM						
Brussels SE (1/1/80)	6138.98	6117.46	6114.18	6068.60	6805.28 (26/9/89)	5519.30 (4/1/89)
DENMARK						
Copenhagen SE (3/1/83)	(a)	376.51	377.18	376.96	380.32 (5/2/90)	275.49 (27/2/89)
FINLAND						
Unitas General (1975)	637.9	638.0	638.5	657.0	815.8 (14/4/89)	580.8 (23/11/89)
FRANCE						
CAC General (31/12/82)	516.88	515.35	517.72	519.26	561.6 (11/10/89)	417.9 (4/1/89)
CAC 40 (31/12/87)	1957.40	1914.11	1937.18	1925.39	2006.42 (4/1/90)	1525.38 (27/2/89)
GERMANY						
FAZ Aktien (31/12/58)	809.90	814.82	813.81	802.52	814.82 (22/3/90)	538.78 (27/2/89)
Commerzbank (1/12/58)	2369.3	2371.9	2368.7	2334.7	2371.9 (22/3/90)	1595.7 (27/2/89)
DAX (30/12/87)	1932.12	1918.98	1937.99	1908.83	1939.43 (5/2/90)	1271.70 (23/2/89)
HONG KONG						
Hang Seng Bank (31/7/64)	2974.16	2948.67	2926.92	2880.03	3309.64 (15/5/89)	2093.61 (5/6/89)
IRELAND						
ISEQ Overall (4/1/88)	1749.49	1746.23	1757.09	1766.20	1895.10 (22/1/90)	1360.64 (10/1/89)
ITALY						
Banca Com. Ital. (1972)	671.18	679.88	682.95	682.53	734.84 (31/8/89)	577.49 (28/2/89)
JAPAN						
Nikkei (16/5/49)	30372.16	29843.34	(c)	30807.19	38915.87 (29/12/89)	29843.34 (22/3/90)
Tokyo SE (Topix) (4/1/68)	2206.99	2173.17	(c)	2273.18	2884.80 (18/12/89)	2173.17 (23/3/90)
2nd Section (4/1/68)	3664.95	3700.81	(c)	3854.18	4284.68 (9/2/90)	2774.38 (27/3/89)
MALAYSIA						
KLSE Composite (4/4/86)	598.02	597.38	603.16	601.36	622.20 (20/2/90)	357.31 (3/1/89)
NETHERLANDS						
CBS Tril.Rtn.Gen.(End 1983)	254.8	253.7	255.1	254.4	272.7 (21/9/89)	208.3 (3/1/89)
CBS All Shr (End 1983)	195.5	194.6	195.7	195.2	210.5 (8/9/89)	166.7 (1/3/89)
NORWAY						
Oslo SE (2/1/83)	824.19	821.78	825.81	830.71	865.40 (16/3/90)	467.17 (2/1/89)
PHILIPPINES						
Manila Comp (2/1/85)	1119.46	1135.69	1160.70	1117.08	1396.26 (20/11/89)	804.62 (4/2/89)
SINGAPORE						
SES All-Singapore (2/4/75)	432.40	429.87	429.64	428.19	443.34 (6/2/90)	300.07 (4/1/89)
SOUTH AFRICA						
JSE Gold (28/9/78)	2031.06	2083.0	2029.0	2143.0	2254.0 (12/12/89)	1291.0 (15/2/89)
JSE Industrial (28/9/78)	3005.06	3010.0	3025.0	3049.0	3211.0 (6/2/90)	1961.0 (3/1/89)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	841.79	845.96	849.81	849.98	1007.80 (1/4/89)	833.81 (26/2/90)
SPAIN						
Madrid SE (30/12/85)	259.86	264.89	266.72	267.12	328.95 (13/9/89)	264.89 (22/3/90)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	(a)	1148.40	1147.10	1135.20	1572.95 (16/8/89)	1021.96 (9/1/89)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	745.8	752.8	760.4	759.3	829.1 (6/9/89)	613.1 (3/1/89)
TAIWAN**						
Weighted Price (30/6/66)	10628.29	10978.15	11287.32	11447.55	12495.34 (10/2/90)	4873.01 (5/1/89)
THAILAND						
Bangkok SET (30/4/75)	803.13	796.50	792.19	786.65	918.67 (3/1/90)	386.73 (2/1/89)
WORLD						
M.S. Capital Ind. (1/1/70)	(a)	478.6	488.6	491.3	571.8 (4/1/90)	487.6 (13/6/89)

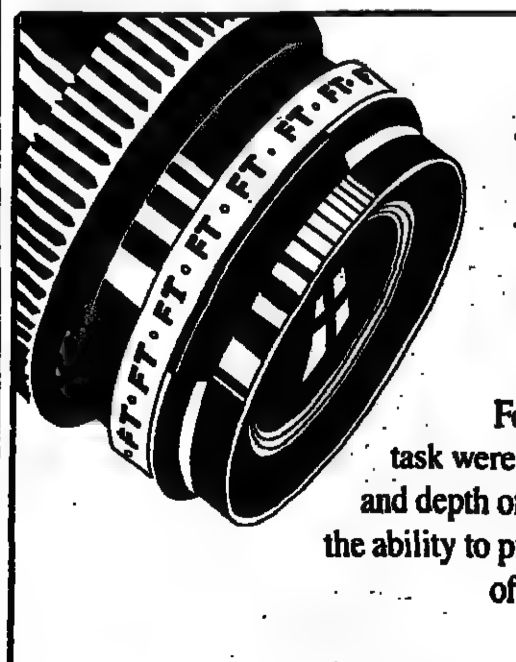
**Saturday Mar. 17: Taiwan Weighted Price: 11504.74 Korea Comp Ex. 835.13

‡ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE, ISEQ Overall and DAX — 1,000, JSE Gold — 255.7, JSE Industrials — 264.3 and Australia All Ordinary and Mining — 500; (c) Closed. (a) Unavailable.

TOKYO - Most Active Stocks
Friday March 23 1990

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	25.66m	555	+7
Hitachi	10.96m	1,460	+70
Kawasaki Heavy	10.34m	675	0
Mitsubishi Hvy	10.23m	695	−6
Chiyoda Corp.	10.04m	2,250	+150
Toshiba	9.88m	978	+9
Mitsubishi Elc.	9.69m	850	+10
NEC	8.86m	1,910	+160
NKK	8.32m	520	−6
Tokyu	7.22m	[illegible]	0



FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth

[illegible]

Brown Shipley & Co Ltd—Contd.

[illegible]

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the consumer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: [illegible] - 0001 to 1100 hours; [illegible] - 1101 to 1400 hours; [illegible] - 1401 to 1700 hours; [illegible] - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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	Bid Price	Offer Price	Yield Gross	Citycode
National Financial Management Corp PLC				
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539				
Life Funds				
Managed Cautionary	102.3	107.7	–	47150
Managed Growth	139.9	147.3	–	47151
Managed Opportunity	143.1	150.7	–	47152
NFMC Target Financial	99.8	105.1	–	47153
Pension Funds				
Managed Cautionary	107.2	112.9	–	47154
Managed Growth	144.0	151.6	–	47155
Managed Opportunity	145.2	152.9	–	47156
NFMC Target Mngd Pen	1503.7	1582.9	–	47157

National Mutual Life

The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

National Provident Institution

48 Gracechurch St, London EC3P 3HH 01-623 4200

Providence Capital Life Assc. Co Ltd – Contd.

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

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JERSEY (**)

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (**)

ISLE OF MAN (**)

LUXEMBOURG (**)

DUBLIN (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

Wardley Investment Services Ltd

Wardley S.E. Asia Tst	$12.26	13.02	0.84	45995
Japanese Warrants	$7.36	7.90	–	42487
Asian Warrants	$9.37	9.93	–	42485
European Warrants	$9.58	10.15	–	42481

Wells Fargo U.S. IT Fund

NAV Mar 22		$9.65	–	47859

Xiphias International Investment Fd Ltd

Xiphias Int USD		$0.9985	–	–
Xiphias Int ECU		Ecu1.0023	–	–

Yamaichi Dynamic Mngt Co SA

Advanced Tech		$22.42	–	46002

Money Market Trust Funds

	Gross	Net	Gr Eqv CAR	City-line
Charities Aid Fndtn Money Mngmt Co Ltd				
48 Pembury Road, Tonbridge TN9 2JD				0732 770114
Cafcash Deposit Fd	14.98	–	15.84	–
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ				01-588 1815
Deposit	14.95	–	15.81	–
Gartmore Money Management Ltd				
2-3 White Hart Yard, London SE1R 1NX				01-236 1425
Call Fund	14.97	11.71	16.08	–
7-day Fund	15.03	11.76	16.14	–
Special Fund	14.86	–	16.35	–
Dollar	7.00	5.48	7.49	–

Money Market Bank Accounts

	Gross	Net	Gr Eqv CAR	City-line
Aitken Hume Bank plc				
30 City Road, EC2Y 2AY				01-638 6070
Treasury Acc	13.50	10.56	14.64	–
Mth Int Chq £2,000-£4,999	13.50	10.56	14.77	–
Mth Int Chq £5,000-£49,999	14.00	10.95	15.33	–
Mth Int Chq £50,000+	14.50	11.35	15.94	–
Allied Trust Bank Ltd				
97-101 Cannon St, London, EC4N 5AD				01-626 0602
OMNIA (£2,001+)	14.78	11.57	16.286	–
HICA (£2,001+)	13.90	10.88	15.248	–
Bank of Ireland High Interest Cheque Acc				
36 Queen St, EC4R 1BN				01-625 7000
2,000-9,999	13.708	10.730	14.923	–
£10,000+	14.098	11.000	15.283	–
Bank of Scotland				
38 Threadneedle St, EC2P 2EH.				01 601 6746
Money Mkt Cheque Acc	13.6	10.64	14.91	–

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

Too much optimism and complacency

THERE WAS surprisingly little reaction on the financial markets to a bad week for the UK Conservative Government. The February trade figures on Thursday were in line with expectations and a considerable improvement on the January shortfall, but even this was qualified by doubts that Britain's once large surplus on invisible earnings will be restored. The Treasury expects an invisible surplus of £1.5bn this year - reducing the visible deficit of £16.5bn to a current account figure of £15bn - but official estimates suggest there will be no invisible earnings for the first four months, leading to fears that the Treasury forecast is too optimistic.

The Budget on Tuesday was not well received by the markets. Mr Neil MacKinnon, chief economist at Yamaichi International, said there was little in the Budget to reassure markets that there will be a sustained reduction in the underlying rate of inflation. He believes the pound will weaken, making the Governments forecast of 5 per cent inflation by the second quarter of next year "distinctly ambitious."

The last blow for the Government was the loss of the *Mid-Staffordshire* by-election. The swing against the Conservative Party was so great that the markets appeared unable to accept the Government's defeat as anything but a very large protest vote. Mr Nick Parsons, economist at Union Discount, found the markets complacency hard to justify. He fears that sterling will slide through technical support at \$1.5930 and DM2.7125, turning the mood "very nasty indeed."

UK clearing bank base lending rate
15 per cent
from October 5

£ IN NEW YORK

Mar.22	Close	Previous Close
£ Spot	1.6005-1.6015	1.6035-1.6045
1 month	0.90-0.89pm	0.91-0.90pm
3 months	2.68-2.66pm	2.69-2.67pm
12 months	9.42-9.32pm	9.37-9.30pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY MOVEMENTS

CURRENCY RATES

OTHER CURRENCIES

POUND SPOT- FORWARD AGAINST THE POUND

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

EXCHANGE CROSS RATES

EURO-CURRENCY INTEREST RATES

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

CHICAGO

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of stocks per grouping	FRIDAY MARCH 23 1990 US Dollar Index	% change since Dec.29 '89	Pound Sterling Index	Local Currency Index	% change local currency since Dec.29 '89	Gross Div. Yield	THURSDAY MARCH 22 1990 US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX 1989/90 High	1989/90 Low	Year ago (approx)
Australia (83)	137.21	−9.4	126.78	122.10	−4.2	5.66	137.35	127.15	122.00	160.41	128.28	138.82
Austria (19)	279.69	+53.5	258.44	247.93	+55.0	1.07	279.61	258.88	247.82	285.63	92.84	107.94
Belgium (61)	145.61	−5.9	134.55	127.30	−8.3	4.40	146.02	134.28	128.61	160.02	125.58	130.07
Canada (120)	141.83	−6.8	131.05	120.67	−5.5	3.34	141.70	131.18	120.82	154.17	124.67	133.58
Denmark (36)	254.46	+5.1	235.13	226.17	+4.3	1.42	254.69	235.79	225.86	280.82	185.35	169.19
Finland (26)	142.55	+6.9	131.72	120.46	+6.5	2.48	141.53	131.02	119.96	159.16	118.63	145.77
France (125)	150.15	−3.8	138.74	135.72	−4.1	2.81	149.02	137.96	134.35	157.97	112.57	115.21
West Germany (96)	133.05	+7.5	122.94	118.31	+8.7	1.80	134.16	124.20	118.92	137.01	79.56	83.05
Hong Kong (46)	122.48	+4.6	113.17	122.85	+4.7	4.88	121.25	112.24	121.62	140.33	86.41	129.46
Ireland (17)	184.81	+1.8	170.77	166.87	+1.3	2.52	185.07	171.33	166.73	186.57	125.00	142.28
Italy (96)	94.77	−3.7	87.57	89.07	−4.5	2.58	96.37	89.21	90.36	102.11	74.97	81.00
Japan (455)	137.29	−30.5	126.86	133.52	−25.6	0.61	133.57	123.66	130.91	200.11	133.57	182.67
Malaysia (36)	232.09	+1.3	214.46	243.31	+2.2	2.18	231.66	214.46	243.57	245.32	143.35	161.66
Mexico (13)	388.29	+18.7	358.94	1170.11	+22.2	0.44	389.75	360.82	1180.39	409.41	153.32	167.25
Netherland (43)	136.89	−4.9	126.49	120.27	−4.2	4.85	136.89	126.73	119.84	145.66	110.63	116.01
New Zealand (17)	60.44	−16.2	55.85	55.41	−14.0	6.44	60.83	56.31	55.67	88.18	60.44	70.82
Norway (24)	236.87	+18.5	218.87	212.35	+18.7	1.60	236.67	219.29	212.60	245.60	139.92	171.22
Singapore (26)	193.88	+9.4	179.15	167.92	+8.2	1.73	190.92	176.75	165.50	199.38	124.57	148.44
South Africa (60)	204.15	+3.9	188.64	169.99	+11.8	3.47	204.57	189.38	170.35	251.39	115.35	141.41
Spain (43)	138.01	−15.4	127.53	114.49	−15.3	4.67	141.58	131.07	117.18	169.75	138.01	148.49
Sweden (35)	177.23	−7.7	163.77	161.62	−8.2	2.42	177.48	164.30	162.11	206.95	156.45	156.91
Switzerland (62)	89.82	−4.5	83.00	84.51	−6.1	2.25	90.74	84.00	85.20	99.12	67.81	75.01
United Kingdom (307)	148.35	−6.5	137.08	137.07	−6.1	4.78	146.65	135.76	135.76	164.31	133.29	147.86
USA (540)	136.33	−4.7	125.97	136.33	−4.7	3.51	135.67	125.60	135.67	146.29	112.13	117.69
Europe (990)	137.98	−3.1	127.49	124.60	−2.9	3.51	137.80	127.57	124.34	146.66	112.63	118.07
Nordic (121)	188.67	+0.7	174.33	163.22	+0.2	1.91	188.78	174.76	163.32	201.89	137.95	148.70
Pacific Basin (665)	136.76	−29.0	126.37	132.62	−24.2	0.93	133.29	123.39	130.18	194.72	133.29	178.59
Euro−Pacific (1655)	137.60	−20.3	127.15	130.03	−18.8	1.98	135.46	125.40	128.51	174.18	135.46	154.41
North America (660)	136.56	−4.8	126.19	135.33	−4.7	3.50	135.94	125.85	134.73	146.66	112.79	118.53
Europe Ex. UK (683)	130.02	−0.8	120.15	116.73	−0.8	2.72	130.68	120.98	117.02	135.73	96.30	99.68
Pacific Ex. Japan (210)	129.68	−3.9	119.82	118.85	−0.9	4.95	129.19	119.60	118.31	140.05	111.93	129.59
World Ex. US (1848)	138.52	−19.6	128.00	130.46	−16.1	2.05	136.48	126.35	129.02	173.77	136.49	153.56
World Ex. UK (2081)	135.55	−15.8	125.25	131.82	−13.2	2.32	134.02	124.07	130.85	162.00	134.02	138.88
World Ex. So. Af. (2328)	136.26	−15.1	125.91	132.01	−12.7	2.55	134.71	124.70	130.83	161.84	134.71	139.65
World Ex. Japan (1933)	137.74	−4.0	127.27	131.75	−3.7	3.58	137.30	127.11	131.30	145.52	114.61	119.09
The World Index (2388)	136.67	−15.0	126.29	132.27	−12.6	2.56	135.13	125.10	131.10	162.05	135.13	139.66

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US \$ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US \$ Index), 114.45 (Pound Sterling) and 123.22 (Local).

Constituent changes: 19/3: **Addition:** Courtaulds Textiles (UK). **Deletions:** 20/3: Aristech Chemical (USA) and 21/3: Waitaki International (New Zealand). **Name change:** 22/3: United Brands to Chiquita Brands International Inc. (USA).

CROSSWORD

No.7,198 Set by DANTE

ACROSS

1 Where we can get drinks and a bill for wine (6)
4 It's equipped for dispatching stock (8)
9 Star actors upset (6)
10 It defends against intrusion in place of a lock (8)
12 Sporting officials may help us get a job (8)
13 Depression after an attack, perhaps (6)
15 Gangs require a doctor qualified in surgery (4)
16 A way, and only one, to outclass all rivals (5,5)
19 Who cares, for example, about such questions? (10)
20 Nothing the matter with work (4)
23 It's bound to go on foot (6)
25 Lay assembly? (3-5)
27 Shadow boxing, a contest between fighters? (8)
28 Piles made in ancient undertaking (6)
29 Open clash that reveals the strength of one's hand (8)
30 Oral agreement for a rise (6)

DOWN

1 Dollar and pound required for cloth (7)
2 Possibly refurbish natural tissue (4,5)
3 Abeam on a ship (6)
5 Whistle a hit? (4)
6 Getting out stupidly in Test is a sort of lesson (8)
7 It is evident Trevor hadn't finished getting up (5)
8 Save up to get engaged (7)
11 Some for sure (7)
14 May as well ring off – or ring on (7)
17 After work, quiet or music is timely (9)
18 Roland is involved in "As You Like It" (8)
19 Lives in a dream that is slovenly (7)
21 Pen catalogue for a writer (7)
22 Holds forth when there's nothing in place on board (6)
24 He was employed in sugarcane growing (5)
26 What perhaps causes ice to melt (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday April 7.

JOTTER PAD

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

BRITISH FUNDS—Contd

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

CANADIANS

Continued on next page

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

BANKS, HP & LEASING

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
2,323.7	ANZ $A1	249	+0.4	8.0	8.1	Feb July	1698
2,525.5	Abbey National 10p	193xd	+2.7	3.9	12.3	Apr Oct	5411
1,448.0	Allied Irish Ord	262	+0.4	3.1	27.11	Dec July	1354
1,368.6	Algemene Fl.10	£13¼	+1.0	6.7	2.5	Aug May	1567
33.9	Anglo Irish	85	+2.4	5.2	27.11	Jan Aug	1355
136.3	Ansbacher (H.) 1p	73xd	–1.4	4.6	12.3	April	1624
1,104.3	Bancaire Cie Fr100	164½	+4.5	2.2	9.5	May Mar	2282
4,488.1	Banco Bilbao Viz	537	–1.0	3.9	9.12	Dec June	–
3,088.3	Banco de Santander	£26½	....	4.2	31.10	Apr Oct	–
874.9	Bank Ireland Ir£1	262	+0.4	4.4	27.11	July Dec	1360
134.4	Bank Leumi	£19½	....	–	–	–	1740
23.6	Bank Leumi (U.K.)	345	....	5.2	26.2	Mar Sep	1740
912.5	Bank Scotland	121	+3.4	4.2	2.10	Nov June	1742
91.5	Do. 9¼pc Irrd Pf.	91½	....	13.5	30.10	May Nov	1462
16.6	Bank of Wales	52	....	7.2	2.10	Nov Jun	1743
4,474.2	Barclays £1	576xd	+1.2	6.3	12.3	Oct May	1754
9.12	Benchmark 20p	17	–10.5	13.3	18.9	May Oct	1802
49.9	Brown Shipley £1	313	....	4.5	27.11	Jan Aug	1983
77.8	Cater Allen £1	410	....	7.6	27.11	Jan. July	2081
31.7	Chancery	156	+2.6	6.8	27.11	Jan July	2102
519.3	Commerzbk DM10	£23	+7.0	2.9	27.5	May	1046
326.9	C'hgn Hbk Kr100	£24½xd	+0.6	5.6	20.3	March	2237
[illegible]	Dai Ichi KBk Y50	949	–10.4	0.3	4.7	June	2221
9,080.2	Deutsche Bk DM50	£296½	+3.8	1.5	11.5	May	2345
141.5	Espirito Santo	£20	+0.6	2.3	–	June	5187
348.5	First Nat. Fin. 10p	221	....	7.8	15.1	Mar Aug	2571
54.7	FNFC 6.3pc Cr. Pf.	113	....	7.4	27.12	July	2570
3,244.4	Fuji Bank Y50	£12½	–3.9	0.3	4.7	Dec June	1084
104.4	Gerrard & National	274	+0.4	9.0	30.10	June Dec.	2686
95.9	Guinness Mahon 10p	148	....	1.9	27.12	Jan Feb	5074
450.8	Hambros 20p	278	–4.1	4.8	11.12	Jan Sep	2812
165.0	Do. 7.5pc Cv Pf.	110xd	–4.3	9.1	12.3	Apr Oct	[illegible]
1,319.2	HK & Shang. HK$2.50	57	+1.8	5.7	17.4	May Sep	–
24.0	Joseph (Leo) £1	450	....	4.6	11.12	Jan Sept	3060
21.5	King & Shaxson 20p	134	–1.4	9.1	13.11	–	3088

BUILDING, TIMBER, ROADS – Contd

ELECTRICALS – Contd

ENGINEERING – Contd

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INSURANCES

LEISURE

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australian

[illegible]

Tins

[illegible]

Miscellaneous

MINES—Contd

[illegible]

THIRD MARKET

[illegible]

0.91	Scott Pickford 10p...y	131	....	3.8	17.7	August	5062
	For Seacon Hldgs see TRANSPORT						
3.63	Sempernova.........y	26	-3.7	–	–	–	1645
6.20	Sleepy Kids 5p......y	31	+10.7	–	–	–	5068
2.85	Sovereign Studios 1p y	2	-20.0	–	–	–	4666
7.67	Tavern Leis. 20p....y	30	....	–	–	–	4367
8.51	Tomorrows Leisure 20p y	76	-3.8	–	–	–	4248
2.02	UPL Group 10p......y	58	....	9	22.5	Dec. July	4362
7.96	Unit Group.........y	150	+2.7	4.4	11.12	Jan Aug	4357
12.7	Video Magic Leis. 1p y	77	-2.5	3.5	26.1	Jan July	5071
3.84	Visa Ents 5p.......y	4	....	–	–	–	3994
8.03	Vizcaya Hldgs 5p...y	15	-6.3	–	–	–	4193
60.0	Wildgate Leisure 20p y	38½	-1.3	0.9	12.2	April	1105
1.41	Do. Wrrnts.........y	21	-4.5	–	–	–	1116
22.4	Wilton Group 1p....y	5	+11.1	–	–	–	5626

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- § Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ¶ Price at time of suspension
- ♦ Not comparable
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date.
- ‡ No par value

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. c Cents. e Redemption yield. f Flat yield. k Kenya. C Canadian. E Minimum tender price.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p....y	81	......
Craig & Rose £1...y	625	......
Finlay Pkg. 5p....y	57	-1.7
Holt (Jos) 25p....y	1343	-0.1

IRISH

Cap. 8½% Ln. 1991...	£96	......
9pc Cap Ln. 1996..	£98¼	+0.4
Fin. 13% 97/02....	£167½	......
Arnotts............	450	+4.7
Carrol (P.J.)......y	165	+1.2
Hall (R. & H.).....	108	......
Helton Hldgs.......y	98	......
IRG................	215	......
United Drug........	165	-1.2

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	39
Amstrad	5½
Astec (BSR)	5½
BAT	83
BOC Grp	45
BTR	36
Barclays	47
Blue Circle	19
Boots	23
Bowaters	38
Brit Aerospace	42
British Steel	9
Brit. Telecom	25
Cadburys	27
Charter Cons	48
Comm Union	40
Courtaulds	34
Eurotunnel	60
FKI	7
FNFC	21
Gen Accident	90
GEC	18
Glaxo	56
Grand Met	45
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	85
Ladbroke	25
Legal & Gen	34
Lex Service	26
Lloyds Bank	22
Lucas Inds	32
Marks & Spencer	17
Midland Bk	27
Nat West Bk	29
P & O Dfd	50
Polly Peck	37
Racal Elect	19
RHM	35
Rank Org Ord	68
Reed Intnl	33
STC	28
Sears	9½
SmKl. Beecham A	46
TI	38
TSB	11
Tesco	17
Thorn EMI	61
Trust Houses	22
T&N	17
Unilever	56
Vickers	18
Wellcome	60

Property

Brit Land	32
Control Secs	5
Land Securities	44
MEPC	44
Mountleigh	14

Oils

Aviva Petm	5½
Brit Petroleum	28
Burmah Oil	52
Conroy Petm	12
Gaelic Res	4½
Premier	10
Shell	37
Tuskar Res	18
Ultramar	31

Mines

Lonrho	22
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

4pm prices March 23

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
37½	26	AAR	.48	1.6	15	169	29¾	29¼	29½	– ⅛
9¾	8½	ACM n	1.01	12.		278	8¾	8½	8¾	
11⅜	10½	ACMIn	1.26	11.		472	11	10⅞	11	
8⅞	7⅛	ACM M	n1.01	13.		452	7⅝	7½	7½	+ ⅛
12⅛	11⅜	ACMM M				185	11⅝	11½	11⅝	+ ⅛
11½	10	ACM Sc	1.26	12.		1542	10⅞	10¾	10⅞	
9⅝	8⅛	ACMSp	1.01	11.		710	8⅞	8¾	8⅞	
22¼	18	AL Lab	.16	.7	21	165	22	21	22	+ ⅜
4⅛	3⅛	AMCA	.12e	3.6	39	33	3⅜	3⅛	3⅛	– ⅛
6⅛	3	AM Intl			10	405	3⅛	3	3⅛	
23½	16⅛	AM In pf	2	12.		16	16⅞	16⅝	16⅝	– ⅛
107¼	62½	AMR			9	4043	65⅞	64⅛	65	+ ⅞
27	25	ANR pf	2.67	10.		3	25½	25½	25½	+ ⅛
6⅛	3⅛	ARX				61	3⅝	3½	3½	
72¾	39	ASA	3a	5.5		1036	55⅛	54	54⅛	–1⅛
70⅞	51	AbtLab	1.68	2.6	17	2161	65⅞	63⅞	65⅛	+ ⅞
17¼	11⅛	AbitiBi g	.60			49	13½	13⅜	13½	+ ⅛
13	6⅞	AcmeC	.40	4.0	11	181	10	9⅞	10	+ ¼
9¾	7	AcmeE	.32	3.6	11	57	9	8⅞	8⅞	
38½	27	Acuson			22	121	35⅛	35	35⅛	– ⅛
16½	12⅞	AdaEx	2.06e	13.		76	15⅞	15⅝	15⅞	
18⅜	7⅛	Adobe				21	13	12⅞	12⅞	– ⅛
20⅛	16⅞	Adob pf	1.84	9.9		66	18⅞	18½	18⅞	+ ⅛
21⅝	19⅞	Adob pf	2.40	11.		6	21⅞	21⅞	21⅞	
10½	6⅞	AMD			22	9387	10⅛	9⅞	9⅞	+ ⅛
35	28¼	AMD pf	3	9.6		16	31⅛	30½	31⅛	+ ⅝
10⅛	5	Advest	.16	2.8	8	21	5⅞	5⅞	5⅞	
62½	46⅞	AetnLf	2.76	5.7	9	1510	48⅞	48⅜	48½	+ ⅛
14	9⅞	AffPb	.24	2.2		135	10⅞	10¾	10¾	
25	16⅛	Ahmans	.88	5.2	9	2657	17⅞	17	17	– ⅛

Continued on Page 41

NYSE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close

Continued from previous Page

AMEX COMPOSITE PRICES

3pm prices March 22

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng

NASDAQ NATIONAL MARKET

4pm prices March 23

Stock	Div.	Sales 100s	High	Low	Last	Chng

The Business Column

Chances for outsiders in Japanese market

WHEN COCA-COLA first sought to enter the Japanese market in the early 1960s, it was warned that its normal sales methods would never work there. Undeterred, it bypassed local distributors and spent five years training Japanese bottlers to do things its way. Today, its distribution system is among the most efficient in the country and more profitable than its American one.

More than two decades later, when Unilever test-marketed Timotei shampoo in Japan, the initial response was discouraging. Yet the company decided to launch the product there anyway. In two years it was the country's best-selling shampoo, with 15 per cent of the market and access to three quarters of top retail outlets.

Such successes show that, with persistence and enterprise, western companies can overcome the supposedly insuperable obstacles to doing business in Japan. Indeed, more than 1,000 foreign companies have wholly- or partly-owned affiliates there, with sales of $120bn and 260,000 employees in 1987.

Mid-life crisis

But the challenge nowadays may be less how to enter the Japanese market, than how to stay there. Writing in the McKinsey Quarterly, Mr Kevin Jones, of the management consultant's Tokyo office, argues that as foreign affiliates mature, they frequently display symptoms of mid-life crisis.

Most foreign companies first break into Japan either because they possess a clear technological edge or because they manage - often against difficult odds - to introduce a novel product or business concept. But too many fail to build on this early success.

A common pitfall is to under-estimate the ferocity of domestic competition. Though Fuji-Xerox and Procter & Gamble respectively pioneered the Japanese markets for photocopiers and disposable nappies, their early dominance was quickly eroded. Four years after Timotei was launched in Japan, 40 per cent of its market segment has been captured by local brands.

Foreign companies' efforts to put things right often make them worse. Typically, their first response is to replace expatriate managers at their local affiliates with Japanese staff. That, however, frequently leads to misunderstandings and conflicts with head office, which responds by putting expatriates back in the top jobs.

Changing market

The heart of the problem is that most foreign companies still insist on centralising authority for their Japanese operations in head office. However, distance and lack of information about the fast-changing Japanese market often prevent headquarters staff from reacting rapidly enough. They also balk at the costly investments in local staff training, product development and quality which are essential to succeed in Japan.

Jones argues that mere tinkering with local management is pointless. A more profound restructuring is needed to enable Japanese affiliates to harness their parents' world-wide strengths effectively to local market requirements. The best solution is to transfer Asian regional headquarters to Japan and invest them with extensive decision-making authority, as IBM, ICI and Dupont have already done.

Such changes can arouse strong bureaucratic resistance within companies, which may be why few have grasped the nettle so far. Yet it is worth remembering that Japanese companies confront at least as formidable a management challenge in complying with western government injunctions to transfer more vital management functions to their subsidiaries overseas.

Of course, Japanese companies have been far more successful in penetrating western markets than the other way round. But as Jones's article makes clear, there are opportunities in Japan for the outsider. If western companies fail to exploit them because they are not properly organised or lack commitment, they can only give credence to the familiar Japanese criticism that they are not trying hard enough.

Guy de Jonquières

MONDAY INTERVIEW

Howe's not for turning

Sir Geoffrey Howe, Britain's Deputy Prime Minister, talks to Philip Stephens

The political shock waves had hardly stirred the calm of the elegant and breathtakingly spacious Whitehall office the Government reserves for its Deputy Prime Minister, Lord President of the Council and Leader of the House of Commons.

News from Mid-Staffordshire of the biggest swing to the Labour Party in a by-election for more than half a century could not be allowed to disrupt the polite unflappability which Sir Geoffrey Howe has made his political trademark.

The former Chancellor and Foreign Secretary – to friends calm and controlled, to enemies boring and uncharismatic – would admit that the Government's political fortunes look less than bright.

What he would not do was fuel the headlines proclaiming crises, turmoil and U-turns which have greeted the most serious political challenge it has faced since it first took office in 1979.

Nor would a politician who has at times been treated brutally by a Prime Minister he has worked with for nearly 20 years add to the speculation about Mrs Margaret Thatcher's grip on the Conservative leadership.

Sir Geoffrey, who in his new role spends as much time as any politician in the Commons, is acutely aware of the gossip, rumours and intrigue which have been enlivening the bars and tea-rooms over the past few weeks. But nobody, he insists, knows whether – as last year against Sir Anthony Meyer – Mrs Thatcher will face a contest in the autumn.

If there is: "I have no doubt that Mrs Thatcher will react to it with the same firmness and success as she did last year, and that the party will continue into the next general election under her leadership".

So what was the significance of Mid-Staffordshire and of the national opinion polls showing the Government's position at its most precarious for 11 years?.

There was the traditional explanation of "mid-term blues" – the references to past occasions like 1981 and 1986, when the Conservatives' popularity temporarily plummeted.

But Sir Geoffrey acknowledges also that the virtual disappearance of the centre parties and their replacement by a Labour opposition with the apparent support of more than 50 per cent of the voters have changed the political landscape.

The triumphalism of 1988, when even he was tempted into talking of economic miracles, has gone. The Government now had to shoulder responsibility for allowing inflation to take a grip again. It had to convince people anew that there was no alternative to its current high interest rate policy.

While many Tory MPs are busy rewriting history to ensure that Mr Nigel Lawson, the former Chancellor, shoulders the blame, he is refreshingly candid.

"In the days and months and years when everything seemed to be going very well indeed, we were all of us prepared to share the praise that was heaped upon Nigel. I think it is entirely fair that we should share the responsibility with him. I certainly do."

Sir Geoffrey, who likes to think that as a young politician and pamphleteer in the 1950s and 1960s he was giving form to the liberal, free market policies which the Prime Minister then gave them her name to, is equally clear about something else.

There can be no U-turns.

Since his enforced move from the Foreign Office last July, he has had more time for his favourite hobby – making speeches setting out the principles and philosophy behind the Government's programme.

He has talked about turning the Conservatives into a "listening as well as crusading party", of "government by explanation", of the need for to recognise the central role of manufacturing industry in the economy.

Those who think, however, that his mellow tones signal that he has gone soft in his commitment to "Thatcherism" are quickly disabused. Colleagues may talk about a gentler Conservatism, about a less radical, more voter-friendly agenda, about a period of consolidation, but he is as convinced as ever that there can be no pulling back.

"This Government over the last decade has by general recognition really tackled seriously the long-term decline of Britain's economic performance. We have done that by bringing a radical agenda to bear and that agenda remains unfinished."

Some may be attracted by apparently easier options. But that is because "There still lurks in the heart of the British people the old willingness to turn away when the going gets really rough".

There are some differences of emphasis. The starting rate of tax at 25p is still too high, but the case for the Government to put its target of a 20p rate at the top of its list of priorities is hardly overwhelming.

There is also recognition that many of Britain's public services have become tatty and inefficient – the "chipped white cups of Dover" is one of his favourite phrases. But structural changes in areas like health and education, rather than a public spending binge, provide the answer.

Nor do Sir Geoffrey's recent speeches on the central role of manufacturing in the 1990s mark a Damascene conversion by the former Chancellor who presided over the devastating industrial shake-out of the early 1980s.

Ministers need to show that they will conduct an intelligent dialogue with industry, that they will help in areas like research, education and training. But Sir Geoffrey is not in the business of stealing Labour's, or for that matter Mr Michael Heseltine's, corporatist clothes.

The Government's main task is to ensure that inflation is kept down and that the tax system is "enterprise-friendly". What it must avoid is the impression that "Government by intervention can somehow promote and achieve the success that eludes industry for itself."

If Sir Geoffrey is as committed as ever to Thatcherism's domestic agenda, his views on Europe and, symbolic of that, on full British participation in the European Monetary System, remain deeply at odds with those of the Prime Minister.

He would not put it in those terms, but anyone scanning their respective speeches cannot fail to see the gulf.

Mrs Thatcher believes that the tumultuous events in Eastern Europe strengthen her case for a European Community of nation states committed to intense economic co-operation but ceding only a minimum of political sovereignty.

Sir Geoffrey sees it differently. He is sceptical about rushing to admit the newly-emerging democracies of Eastern Europe. The Community must not be exclusive or protectionist but: "The important thing is to maintain the miracle we have achieved in western Europe of, I think, 'house-training' the worst excesses of nationalism." Britain must play its part, and that includes membership of the EMS exchange rate mechanism.

While the recent message from No 10 Downing Street, if not directly from the Prime Minister, has been that German monetary union may further delay Britain's decision, Sir Geoffrey insists it must not.

The Government must stick to the conditons laid down at the Madrid summit last year. Its European partners had gone a long way towards fulfilling their side of the bargain, and the most important obstacle now remains Britain's inflation rate.

"There is no suggestion that German Monetary Union has altered things either for ourselves or for the Community." The commitment "remains exactly as defined in the Madrid conditions".

Sir Geoffrey is not talking about membership now – while Britain's inflation rate is still rising – but neither must the Government wait until the rate is down to, say, the German figure.

Membership would "fortify our own anti-inflation policy," and "The sooner we are able to create the conditions, the better". That means, he agrees, that participation before the general election must be a possibility.

It was Sir Geoffrey's alliance with Mr Lawson to force Mrs Thatcher to accept the Madrid formula which confirmed the Prime Minister's decision to move him from the Foreign Office.

His reluctance to leave that job and the accompanying unseemly bargaining over the title of Deputy Prime Minister, and over the provision of a country house at Dorneywood hardly left relations between the two at their best.

Though Sir Geoffrey secured the role in Cabinet committees that had provided Lord Whitelaw with considerable influence a few years earlier, the Downing Street information machine made it clear that he would not wield similar power.

Depending on who one asks in the Whitehall rumour mill, relations between the two are described as "cool", antagonistic or at best businesslike.

Sir Geoffrey, determined to make the best of his new role as the Government's business manager, insists that much of the gossip is circular – simply a reflection of the way that journalists tend to "take in each other's washing".

"The fact of the matter is that Margaret Thatcher and I have worked curiously closely for a very long time," he says. Both had recognised since last July that "It was important for us to sustain a good working relationship and we have both consciously done that." They may speak frankly to each other but there is also warmth.

So does Sir Geoffrey, who has made clear his interest in taking over if Mrs Thatcher steps down, see any hope at the age of 63 of ever succeeding her?

In a phrase curiously close to one employed so often by Mr Heseltine, he replies: "I cannot foresee the circumstances."

PERSONAL FILE

- 1926 Born Port Talbot, Glamorgan; educated, Winchester and Cambridge
- 1952 Called to the Bar
- 1964 First elected to Commons
- 1970 Solicitor General in Heath Government
- 1974 Contested Tory party leadership winning 19 votes
- 1979 Chancellor of the Exchequer
- 1983 Foreign Secretary
- 1989 Deputy Prime Minister

'The radical agenda remains unfinished.'

Establishing the right to be left alone

JUSTINIAN

IF EVER a person has a right to be left alone by strangers without any public interest to pursue, it must surely be when he or she is being treated in hospital. Yet, as the Court of Appeal lamented in a recent case involving the actor, Gordon Kaye, a remedy in English law is not always available for invasion of privacy.

The case involved the unannounced and unauthorised entry by a reporter and a photographer from the Sunday Sport into Mr Kaye's private room at Charing Cross Hospital early last month, when he was recovering from brain surgery.

All three judges were only too ready to grant Mr Kaye some relief if they had the power. Instead, they had to place only a limited restriction upon publication by the Sunday Sport, based upon one of the well-established rights of action. The paper was permitted to publish a story and any photographs only so long as they told their readers that their action was done without Mr Kaye's permission; which they did.

Lord Justice Glidewell said that Mr Kaye's case provided a "graphic illustration of the desirability of Parliament considering whether and in what circumstances statutory provision can be made to protect the privacy of individuals." Lord Justice Bingham acknowledged how formidable are the problems of "defining and limiting a tort of privacy," but expressed the hope that the Calcutt committee's deliberations "may prove fruitful."

Lord Justice Leggatt was uninhibited in his call for reform. The right to privacy, he declared, "has so long been disregarded here, that it can be recognised now only by the legislature. He noted that in the US there is a wealth of experience of enforcing the right of privacy, both under statute law and by the development of the common law of England by American judges.

Judges in England have never been averse, when it suited them or when they thought that social conditions dictated it, to fill the more glaring gaps in the legal system. Only recently the House of Lords resorted to the common law in order to sanction the sterilisation of a woman who was mentally incapacitated, provided the patient's doctors attested that the operation was in her best interests. The judges did not throw the burden on to Parliament.

There are properly demands for a creative judiciary to operate upon subjects which governments, for whatever reason, shirk. After all, the judges over the years have made the law of homicide and, despite recent varying pronouncements by the courts about the precise elements of the law of murder, Parliament has been content to leave defining the crime of murder to the judges.

There are properly demands for a creative judiciary to operate upon subjects which governments shirk

Could the courts still develop the common law in the way that their American counterparts have done to establish the law of privacy? If the definition and limitation on privacy have so far defeated the attempts of skilled draughtsmen, there is a strong argument for letting the law grow out of a series of rulings in individual cases.

The judges' riposte to the suggestion that they should construct a law of privacy is that it is too late in the day for the courts to create new remedies.

Historically, there has been no general principle of tortious liability, but the courts have given remedies for various forms of trespass and direct injuries. Other forms of harm, like libel and slander, later became redressable. Even today defamation is defined through case law rather than by statute.

As is frequently stated by textbook writers and acknowledged by judges, the categories of tortious liability are not closed. There will be room for developing the law protecting the reputation of an individual to the protection of his dignity.

The newspaper industry is justifiably apprehensive of any new remedy for invasion of privacy. It fears it will be used to conceal the misdeeds of the rich and the powerful from investigative journalism.

A claim for damages for an invasion of privacy would operate much like the law of libel, albeit in a wider sense. Editors and journalists would be bound, before deciding whether to publish, to have regard to the risk of a legal action for any invasion of privacy. The journalistic worry is that the courts might be prevailed upon frequently to intervene to forestall investigative journalism, or at least to prevent publication in the name of protecting privacy.

The court of appeal has re-established a long-standing rule that judges will grant injunctions pending the trial of the libel action only very sparingly.

To justify the court granting an interim injunction, it ought only to do so in only the clearest of cases where any jury would say at trial that the matter complained of was libellous and where, if the jury did not so find, the court would set aside the verdict as unreasonable. If that is the rule for libel, it would apply likewise to invasions of privacy.